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The Department of State

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XXXIII, No. 851

October 17, 1955



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Our Government's Contribution to the Economic Development of Latin America

by Henry F. Holland

*Assistant Secretary for Inter-American Affairs*¹

One of the fundamental facts of United States-Latin American relations today is the determination of the governments and people of Latin America to make even more rapid economic progress than they are now making and to improve their standard of living. I want to talk to you today about the opportunities that we as a government have for helping them to realize this objective and what we are doing to fulfill them.

Before proceeding to a discussion of the individual opportunities which our Government has for facilitating the economic development objectives of our sister Republics, there are two points I wish to make by way of background, since everything that our Government does in this field must be considered in their context.

First, the measures which our Government can take will not be the decisive factor in the economic development of Latin America. There is nothing that this Government can do to create a stable economy or raise living standards in another country unless the necessary factors are already there. But if the internal conditions necessary for economic development are there, then our Government can hurry the process somewhat by pursuing constructive policies.

Second, we have neither the right nor the desire to prescribe to any other American Republic the kind of economic system which it should adopt or the programs it should follow to achieve its economic aspirations. That is the exclusive domestic responsibility of every sovereign state. On the other hand, whatever help we give will be, as it should, consistent with our own national philosophy as to the role which a government should

play in the economic field and with the wishes of the majority of our people. Likewise, it will be given in support of those programs and policies which our experience has led us to believe are best designed to achieve real economic progress.

These are reasonable views. They do raise a question, of course. What are our convictions as to the role of government in the economic field? What kinds of programs and policies do we believe will produce strong economies? The answers are probably apparent. The people of the United States believe in the private enterprise system. We are convinced that we ourselves can do more than any government can to make business enterprises grow, to create new ones, to create more employment at acceptable wages, and to raise the standards of living of our people. We believe that our Government helps the national economy most when it creates those conditions which give us, the working men and women, the farmers, the businessmen of the country, the greatest opportunity to carry on all those processes of private enterprise which have brought us to the point where we now are.

This means that there are certain things that we expect our Government to do and some that we expect it not to do. We rely on our Government leaders to follow sound fiscal and taxing policies, policies that will maintain a stable currency, policies that will combat the evil disease of inflation, policies that will assure to investors a fair chance to make a reasonable profit if they risk their capital in industry or commerce. We expect our Government to supply those public facilities and services which are needed in a free enterprise system but which are not in themselves attractive to private investors. These include such things as

¹ Address made before the World Affairs Council of Seattle, Wash., on Oct. 6 (press release 582 dated Oct. 4).

roads, schools, hospitals for the poor, irrigation systems, port works, and things of that nature.

Of equal importance are the things that we expect our Government not to do. We strongly believe that except in special situations our Government should stay out of the field of business. When government enters a particular industry or commercial activity, private enterprise generally withdraws. This is because onerous regulations are usually imposed on the private enterprise in order to insure the survival of the less well organized and operated government enterprises which cannot compete without special advantages. Our experience has convinced us that as a rule government-run enterprises are not as strong and do not make as great a contribution to the national economy as do their counterparts operated by private citizens. Therefore, we feel that government should invade the field of industry and commerce only where essential and then, if possible, only on a temporary basis.

Our Government's chief emphasis will be on those kinds of economic cooperation that contribute to the creative efforts of private individuals, particularly nationals of the other countries. We believe they are the greatest hope for progress in the other American Republics. The most effective contribution that our country could make to the economic development of Latin America would be to help private enterprise throughout the hemisphere. It is responsible for our inter-American trade which each year provides our neighbors with about \$3½ billion in cash and credits. Our own private investors have supplied some \$6½ billion of capital for the economic development of the area. In addition, they are also providing technical knowledge, equipment, and marketing opportunities for Latin America's growing industries.

Contribution Through Trade

Our most important economic relation with the other American Republics is our trade, which amounts each year to almost \$7 billion, divided about equally between imports and exports. Latin America relies on its exports to us for most of the dollar exchange needed to purchase essential consumer goods and the capital goods industrial establishment requires. A relatively small number of commodities such as coffee, sugar, copper, lead, zinc, and petroleum provide most of the dollars

which these countries earn through trade. The economic, and even political, stability of a number of Latin American States is greatly influenced by the extent to which the United States continues to keep its market open to these products.

It is our policy to continue negotiating with the Latin American and other countries for the orderly, reciprocal reduction of tariffs and other barriers to trade. This is done within the framework of the General Agreement on Tariffs and Trade under authority granted by the Congress. In this way our Government can make, and is making, an important contribution to economic development in Latin America.

Our Government can contribute helpfully to the efforts of the Latin American countries to obtain developmental capital. Investment opportunities in the area call for exceedingly large amounts of investment. The quantities of private U.S. capital available for this purpose are incomparably larger than any that our Government could provide. Whether foreign private capital should be admitted into a Latin American country is a decision which lies exclusively within the jurisdiction of the government of the country. Certainly foreign investors will not enter unless conditions in the country are attractive. The best measure of the local investment climate is to observe the activities of domestic investors. If they are actively risking their capital in the establishment of new enterprises and the expansion of old ones, then it is reasonable to hope that foreign investors will be interested in the area, for private investors usually apply the same standards the world over. Our Government has often pointed out it does not seek to create opportunities abroad for United States investors. The demand for capital here at home is strong, and our investors will as a rule go abroad only where conditions are attractive. Some governments are eager to attract foreign investors who can help provide the development capital their countries need. To cooperate with those governments, our own has adopted a number of measures which we hope will encourage our investors to go to those foreign areas where their participation in local development is welcome. We are prepared, for example, to enter into arrangements with foreign governments whereby this Government will insure our investors against certain nonbusiness risks, such as their inability to convert their local currency earnings into dollars and the failure to receive adequate compensa-

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tion in case of nationalization. Seven Latin American countries have entered into such arrangements to date.

Proposed Tax Reduction for Investors

The President has asked the Congress to reduce taxes on business income from foreign subsidiaries or branches and to defer the tax on branch income until it is withdrawn from the country wherein earned.² This measure would encourage more of our investors to go abroad and, furthermore, would encourage them to reinvest their profits there rather than returning them to the United States. It is estimated that today United States companies abroad are reinvesting about 60 percent of their profits.

As an additional inducement to foreign investment the United States is now prepared—subject to appropriate safeguards—to negotiate tax treaties under which income taxes waived for an initial limited period by a foreign government as an incentive to new business can be credited against United States income tax just as though they had actually been paid abroad. These are measures designed, as the President has put it, to encourage “investment by individuals rather than by governments.”

The United States and most Latin American countries are members of the International Bank for Reconstruction and Development. Foreign governments which are members and private borrowers with their government's guarantee have access to this bank as a primary instrument for economic development financing. The IBRD has facilitated the investment of large amounts of capital in Latin America for productive purposes, thereby promoting long-range growth of international trade and improvement in the standard of living both by the use of its own capital and by participation in loans and investments made by private investors. Since making its first loan in May of 1947, the IBRD has authorized credits of more than \$620 million in Latin America. More than 30 percent of the loans made by the IBRD during the last fiscal year, some \$123 million, were made in that area. Along with this financial assistance, the IBRD has made available to member countries in Latin America expert engineering aid, economic counseling, and other professional services.

² For a memorandum on this subject by the Secretary of the Treasury, see BULLETIN of Sept. 12, 1955, p. 433.

Our Government has also taken effective measures to give to foreign private enterprise and governments alike greater access to official loans in this country. There are many projects essential to the development of a foreign country for which it is very difficult to obtain private capital. Governments and private interests engaged in such ventures have access to several sources of official credit in the United States. For projects, public and private, which lie outside the normal scope of the International Bank lending, borrowers have access to the Export-Import Bank, an agency of the United States Government.

Eximbank's Liberalized Policy

In the summer of last year, responding to the increasing Latin American interest, we announced the bank's new and liberalized credit policy toward that area. We have told the other American Republics that the bank will do its utmost to satisfy every application for a sound economic development loan for which funds are not available from private sources on reasonable terms or from the International Bank. This offer is extended to private and official borrowers alike. It means that the level of operations of the Export-Import Bank will be largely determined by borrowers in the other American Republics. It is they who will control the number and quality of loan applications which the bank receives. The uncommitted funds now on hand in the bank and available for loans substantially exceed the aggregate of applications which have been submitted.

Since this new policy was announced, it has been vigorously applied by the bank. Its new President, Mr. Samuel C. Waugh, then Assistant Secretary of State for Economic Affairs, participated in the formulation of the policy and its presentation at the Rio economic conference last year. I know that he can be counted upon to continue pursuing this policy energetically.

Since its establishment in 1934, the Export-Import Bank has authorized loans of more than \$2.5 billion in Latin America. During its last fiscal year before the new policy was adopted, the Export-Import Bank authorized loans in Latin America amounting to \$52.2 million, or 21 percent of its total operations for the year. The fiscal year just closed was the first in which the new policy was applied. During that year the bank authorized loans in Latin America amounting to a total

of \$284 million, or 58 percent of all its authorizations. The bank also inaugurated a new program about a year ago under which exporter credits in the amount of \$169 million have been authorized. Most of these will be used in Latin America. It is noteworthy that the largest single loan authorized in Latin America during the last fiscal year was to a private enterprise group without any governmental guaranty.

Another source of development capital will soon be available when the International Finance Corporation comes into operation. The Ifc, an affiliate of the International Bank, will be capitalized at \$100 million, and its primary objective will be to encourage the growth of private enterprise in its member countries through financing without government guaranties and to help in bringing together investment opportunities, private capital, and experienced management. The U.S. Congress, on request of the President, authorized U.S. membership in the Ifc, and its operation should commence as soon as the requisite number of countries have subscribed to the capital stock and ratified its charter.

Our Government has not undertaken a general program to supply developmental capital on a grant basis in Latin America. The governments of our sister Republics have stated affirmatively that they oppose programs of grant aid. Consistent with their proud tradition, they prefer to meet their problems without this kind of assistance from us or anyone else.

There are, however, situations in which we are furnishing grant aid to meet temporary emergency conditions. Bolivia, Guatemala, and Haiti, as you know, have requested grant assistance from us to help them through crises that they cannot meet with other resources available to them. Congress has authorized a total of \$38 million for these programs in the current fiscal year.

Inter-American Highway

We are participating in another program falling in the general category of grant assistance which I believe we can all applaud. The Congress adopted the President's proposal that we agree to contribute two-thirds of the cost of completing the Inter-American Highway within 3 years. Each of the countries through which the highway runs will supply the remaining third of the cost in its territory. Mexico has already finished that half

of the highway which lies in her territory and has done so without any financial assistance from us. When completed, a modern paved highway will run 3,200 miles from our border with Mexico to the Panama Canal. The road will bring with it social, economic, political, and strategic benefits to people of the seven countries it links. Not only will tourists and goods pass more readily from one to another, but whole new areas hitherto inaccessible will be opened up for development.³

Economic development is just as dependent on technical knowledge and experience as it is on capital. Our Government is keenly interested in the technical assistance programs in which we are participating in the hemisphere. Our policy is to intensify and diversify our cooperation with other governments in this field. We have been active in this field in Latin America since 1942, long before the mutual security program was conceived. Each local program is jointly planned, financed, and operated by the host government and ourselves. Their objectives include such things as improvement of agricultural and industrial production, education, better housing, and the reduction of disease. These programs constitute a vast attack throughout the hemisphere on human misery and poverty. In each successive year the host governments have contributed a larger share of the operating budgets. Today they provide nearly 2½ times the amount of our own contribution.

Time may demonstrate that no form of U. S. aid is more important than that we are beginning to extend under President Eisenhower's "atoms for peace" plan. The United States has offered to enter into agreements for cooperation in the field of research in the peaceful uses of atomic energy. Agreements have been signed with seven Latin American countries—Argentina, Brazil, Chile, Colombia, Peru, Uruguay, and Venezuela. Under them these countries are given access to information on the design, construction, and operation of research reactors. They also are able to lease from the Atomic Energy Commission a quantity of fissionable material. We hope that the result will be that citizens of the other countries will acquire valuable training and experience in nuclear science and engineering.

Several Republics have been provided with gift libraries on the industrial and scientific uses of

³For a map of the highway, see BULLETIN of Apr. 11, 1953, p. 596.

atomic energy. These libraries contain some 15,000 nonclassified technical reports which have been published in the United States.

Further, the Atomic Energy Commission is conducting a series of 7-month courses in reactor theory and technology for foreign scientists and engineers. The courses are held at the Argonne National Laboratory in Illinois. So far scientists from Argentina, Brazil, Guatemala, and Mexico have participated. Specialists from these and other Latin American countries have also attended a course at Oak Ridge on radioactive isotopes and techniques for their use.

Atomic Energy as Power Source

Our offer to share experience and technical knowledge in this vast new field has been welcomed in Latin America. The economic development of several parts of the area has been seriously retarded by the inadequacy of existing energy facilities. Atomic energy may hasten the solution of this problem. In this connection, it is quite noteworthy that United States private enterprise is at this time actively engaged in a program looking to the construction of a number of power reactor installations in Latin America.

One of the most gratifying contributions which our Government is making to the development of our sister Republics is one of which we hear very little. That is the earnest, day-by-day effort of our people in the various U.S. embassies abroad and in our Government agencies in Washington. Working with our friends in the other governments, we try to apply to problems throughout the hemisphere the experience and judgment not only of the officials of the government directly affected but also of men in the other governments who have wrestled with the same or similar problems in their own work. Our purpose is not just to devise means whereby the United States Government can help those of Latin America. It is instead to determine how every American state can, without neglecting its domestic responsibilities, find some way to be helpful to the others. Examples of this partnership in operation are numerous. Bolivia and Peru are cooperating in the construction of highways. Brazil has extended assistance to its neighbors in the construction of railways and highways. We ourselves have just worked out with the Government of Bolivia a comprehensive program which will coordinate our efforts to combat inflation in

that country, to strengthen its industries and commerce, and to improve food supplies. The treaty just executed between ourselves and Panama⁴ reflects more than a year of the same kind of close study of the problems of Panama. Not only does that treaty dissipate a number of problems which had existed between the two countries; it will, I believe, contribute notably to strengthening and stabilizing Panama's economy.

This sharing of problems, this willingness on the part of every government to lend a hand wherever in the hemisphere help is requested, is one of the finest elements of our partnership relation—a relationship which is a source of pride and satisfaction to every citizen of our country.

Visit of Guatemalan President

The White House Office at Denver announced on October 1 that President Carlos Castillo Armas of Guatemala will arrive in Washington on a state visit on October 31 as planned when he accepted President Eisenhower's invitation earlier this year. Because of the illness of the President, Vice President Nixon will act as host to the visiting Chief of State.

President Castillo Armas will be accompanied by Mrs. Castillo Armas and a party of seven.

The President of Guatemala and his party will leave Washington for New York on November 3 and remain there on an official visit to that city until November 7. From New York, the visiting President will go to Detroit and St. Louis for 1 day in each city, and on November 9 will arrive in Houston. The party will proceed to New Orleans on November 11, departing from there for Guatemala on November 13.

The members of the official party include, besides President and Mrs. Castillo Armas, Domingo Goicolea, Minister of Foreign Affairs; Jorge Arenales, Minister of Economy and Labor; Francisco Linares, Chief of Protocol, and Mrs. Linares; Jorge Skinner-Klee, First Secretary of the Constituent Assembly; Col. Miguel Mendoza, Deputy Chief of the Presidential staff; and Dr. Graciela Quan, secretary to Mrs. Castillo Armas.

The Ambassador of Guatemala to the United States, Col. José Luis Cruz-Salazar, and Mrs. Cruz-Salazar will also accompany President Castillo Armas throughout his visit.

⁴ *Ibid.*, Feb. 7, 1955, p. 237.

Free World Defense Against Communist Subversion

by Allen W. Dulles
Director, Central Intelligence Agency¹

If I were asked to point out the most obvious difference between the free world and the Communist-dominated areas, it would be this. The free world provides for law enforcement that protects the right and liberties of the individual. Here the police authority represents the very essence of democracy in action. Law enforcement in the Communist world looks first and foremost to safeguarding the ruling regime without regard for individual rights. Here the police authority becomes the shield of entrenched autocratic authority.

It is fortunate that over the years steady progress has been made in improving our techniques of law enforcement and in building up cooperation between the various jurisdictions of police authorities on both a national and international scale. For since 1917, and increasingly during the past decade, the problem of maintaining domestic law and order has had to face a new and unprecedented danger—worldwide Communist activity.

What we often refer to as organized crime on the domestic front certainly presents you with plenty of problems. But there is a sharp difference between the resources and capabilities of the private criminal, whether acting singly or in organized groups, and the international conspiracy of communism, with its headquarters in Moscow, an affiliated organization in Peiping, and branch offices in Warsaw, Prague, and many other centers.

Such a worldwide conspiracy as this fosters no ordinary breed of criminal. It is engaged in no ordinary type of law breaking. Its members are carefully trained, operate with great skill and with the backing of a farflung and efficient organization. Its work is often hard to detect, partly

because the motives which influence the ordinary criminal are lacking. Here the real motive is the weakening of the fabric of non-Communist states in time of peace in order that it may be vulnerable to the long-range designs of the Communist movement. The success so far achieved, here and in many other countries, in controlling this conspiracy is a fine tribute to the efficiency of the police organizations of the free world.

The Soviets keep as a closely guarded secret the number of their own citizens and of foreign indigenous agents who are trained in the U. S. S. R., in China, and in the satellites for subversion and espionage. Certainly there are many tens of thousands. As the students graduate, they flow into the Communist apparatus throughout the world. You have undoubtedly met some of these alumni and, if not, you certainly will.

Some high members of the MVD have revolted against the methods they have been taught to practice and have come over voluntarily—"defected"—to the free world. They have told us much. Some of this has been published to the world. The Petrov case in Australia is a good example of this. In other cases, for security reasons, it has seemed to be wiser to hold back on publicity to help us to delve more deeply into the Communist organization and practices.

Soviet Expenditures on Subversion

We estimate that the Soviet expenditures in training, support, and operation of its overall subversive mechanism may approach 10 percent of its expenditure on its overall armament program. On a comparable basis, that is, assuming that we spent a comparable percentage of our defense budget for defense against these activities, we would be allocating to this work some 3 to 4 billion

¹ Address made before the International Association of Chiefs of Police at Philadelphia, Pa., on Oct. 3.

dollars annually. I need hardly tell you that such is not the case!

The importance of police and other internal security forces in this work has become more and more evident in many parts of the world. Our conventional military forces are normally designed to cope with open, external aggression. Where countries are subject to Communist subversive tactics, the internal security forces must generally be the first line of defense. It is up to them to ferret out the agents of subversion, stop the damage before it gets out of hand, and thus maintain internal domestic peace and quiet without the necessity for calling on the military forces to deal with open revolt. In some instances—take Czechoslovakia in 1948 for example—where the police force is infiltrated or comes under ineffective leadership, the damage may be done before the armed forces have an opportunity to strike a single blow.

The need for effective police and internal security forces is particularly felt in those countries which are on or near the borders of the Communist bloc. Here there is a vital need for protection against what has been called "internal invasion." As Communist agents and troublemakers infiltrate into such countries and cause disorders, the governments must have security forces which can spot and arrest the leaders and break up Communist-inspired riots and demonstrations. This does not call for tanks and jet aircraft; it calls for a trained and loyal police.

The various American programs for military and technical assistance to critical and underdeveloped areas can only bear fruit in a secure environment. It is for this reason that a number of countries where such aid is extended have requested that our programs should include help in building up the technical competence of local security forces to help to keep the peace internally and root out and suppress subversion. The trained police of this and other free countries where the art of maintaining order is well developed will no doubt be more and more called on to contribute their skills and manpower to help in this important phase of anti-Communist activity.

Kremlin's New Trojan Horse

While I am on the subject of Communist techniques, I might mention a somewhat recent development in their program of sowing international discord—the Kremlin's new Trojan

Horse—but one that will look quite attractive to many countries which are under pressure to build up their military establishments.

As is well known, the Soviet emerged from World War II with a substantial stockpile of obsolescent and now fairly obsolete military equipment. This included, in addition to small arms, a good many thousands of medium and heavy tanks. Immediately following the war's end, the Soviet developed a whole new series of types of tanks and aircraft including, in aircraft, for example, the MIG-15 fighter plane, the TU-4 (B-29 type) long-range piston bomber, and more recently the IL-28 light jet bomber.

It is now estimated that the Soviet has many thousands of these types of war equipment, some becoming obsolete, some surplus. All are likely to be replaced over the next few years. New tanks are in mass production, and new long- and medium-range bombers are coming off the assembly line. For example, the replacement of obsolescent MIG-15's with newer models has created a reserve of some four to six thousand MIG-15's, of which a very substantial number could be off-loaded as an adjunct to a general program of causing trouble throughout the world.

Of course a good share of this equipment has already gone to Communist China and to Indochina with results which are now clearly seen. There remains ample for other parts of the world, and we now hear of advanced negotiations with several countries of the Middle East. I should not be at all surprised if we soon heard that countries in this hemisphere were being approached.

A premature start with this program was made over a year ago. You will remember that it was a shipload of obsolete arms, sent by Czechoslovakia to Guatemala in the ill-famed freighter *Alfhem*,² which aroused the Guatemalan people to a realization of the Communist plans for a takeover of that country. Once again Czechoslovakia looms up as the front for the delivery of Communist arms—this time in the Middle East.

While this type of activity may not enter directly into your day-by-day work, it bears closely upon the overall international security problem. We should keep a careful watch against the possibility that some of these surplus arms, particularly small arms, may find their way into the hands of selected unscrupulous private vendors and be used

² BULLETIN of June 7, 1954, p. 874.

indiscriminately to foment trouble. Furthermore, in certain areas of Southeast Asia there is an unholy alliance between the traffickers in arms and the opium smugglers. In such ways this surplus arms problem may eventually create police problems in the domestic areas of many countries.

Thus you in your task of law enforcement and we who are working in the intelligence field may find ourselves dealing with separate but related phases of a common security problem.

You, as chiefs of police, have to deal with the domestic consequences and the outcroppings of many phases of an international movement which we, as intelligence officers, must make a high priority intelligence target.

World War I shook our confidence in our invulnerability to other people's wars. It took World War II and the aftermath of December 7, 1941, to persuade us that we could not safely disregard, or remain in ignorance of, hostile developments in any part of the world.

On that fateful day it was not just the garrison at Pearl Harbor but all of us who were asleep. We were then awakened to a new sort of world in which we henceforth have to live. There could be no thought of return to the prewar complacency. In this situation it became increasingly important to know what was going on in the world outside of our boundaries. That required a sound intelligence system.

Congress established the Central Intelligence Agency under the National Security Act of 1947 which unified the Armed Services. There is, I believe, some misunderstanding of the nature and scope of the functions assigned to CIA, and I should like very briefly to clarify this point, particularly as it relates to your own work.

Nature and Scope of CIA Functions

First of all, Congress made a clear and wise distinction between the function of intelligence and that of the law-enforcing agencies. It specifically provided that the Central Intelligence Agency should have no "police, subpoena, law enforcement powers, or internal security functions." Hence when I need help in these fields, I turn to the Federal Bureau of Investigation, and on the local scene, to many of you for help and assistance, largely in the field of protecting the security of my own personnel and the base here in this country from which our intelligence work is conducted.

Of course, intelligence has long been a function of our Government even though, prior to World War II, on a scale far smaller than was customary in the case of most of the major powers of the world.

The Central Intelligence Agency was not devised by Congress primarily as a means of setting new intelligence activities into motion, although it did contemplate that the collection of intelligence should be stepped up. Rather, the new Agency was conceived as an appropriate means of coordinating the intelligence activities of the Government and to make them function more harmoniously and effectively toward the single end of national security. It did not supplant any existing intelligence agencies, but it was given certain duties in the intelligence field not then being carried out by others.

The United States Government receives today a vast amount of information from all parts of the world. Some of it comes as a byproduct of our normal work in the field of foreign relations. Much of it comes from overt sources—the press, radio, and foreign publications. Some of it comes through new scientific techniques. For science today plays an increasing role in the gathering of intelligence just as it does in law enforcement.

All of this information has to be studied, analyzed, and put into form for use by the policy-makers. Intelligence of a counter-intelligence nature or of direct interest to the law enforcement agencies of our Government is passed to these agencies and in particular to the Federal Bureau of Investigation.

While, as I mentioned, there is a clear division of functions between the intelligence agencies and the law-enforcing agencies in that the line between us is largely drawn at our frontiers, it is impossible to divide the overall security problems at our borders. Over the past years there have been important instances where the traces of espionage against us were first picked up in distant capitals, although the operation was planned to be carried out in the continental United States. Agents trained for work here have in many cases been first spotted abroad. The followup here requires the closest coordination between our intelligence work abroad and the Federal Bureau of Investigation.

In this and in other fields I can assure you that the cooperation with the FBI is smooth and effective. It was a great pleasure for me to be present

the other day when our President conferred on J. Edgar Hoover the National Security Medal, the highest award the President could accord for work in this field of national security.

In further developing the coordination of our intelligence work there is held once a week, under my chairmanship, a meeting of the heads of the various intelligence agencies. This includes, in addition to CIA, a representative of Army, Navy, and the Air Force intelligence, of the State Department intelligence, of the Joint Chiefs of Staff, and representatives of the Federal Bureau of Investigation and the Atomic Energy Commission. Here we prepare together coordinated estimates embodying all available intelligence on critical foreign situations. We discuss current intelligence problems; we apportion as among the appropriate agencies various tasks for the collection of intelligence.

In this way and through appropriate standing committees which have been set up, we have done everything possible to insure that vital items of intelligence available to the Government are promptly placed before the appropriate policy-making officers of the Government—the President, the Secretaries of State and Defense, and other members of the Cabinet or of the National Security Council, as appropriate.

In developing our intelligence mechanism we have constantly in mind the lessons of the past. We propose to do all we can in our field to see that we do not experience another Pearl Harbor. Then there was adequate intelligence to have put us on warning of the nature and location of the danger. There was then no adequate machinery for analyzing and disseminating that intelligence in an efficient and timely manner. Now we have corrected the mechanics. Only time can tell whether we will have the wisdom to draw the right conclusions from the intelligence we may have.

Estimating Enemy Intentions

Here there are two major problems. Sometimes it is not too difficult to estimate, within certain margins of error, the strength of a potential enemy. If the intelligence community only does that, however, it has not really fulfilled its task. It has a duty also to estimate, on the basis of available intelligence, the probable or the possible intentions of any foe, or at least to indicate the

alternative courses of action he may take. If one looks back to intelligence failures of the past, Pearl Harbor for example, we find that the error has generally come not in a miscalculation of enemy strength but in a miscalculation of enemy intentions. Of course the policymaker often has to take a calculated risk where hostile intentions are not clear, and this applies both in the military and the political fields.

Today, of course, not only intelligence officers but millions of men and women throughout the world are trying to form their own intelligence estimate of the real intentions of the Soviet in the light of the recent Geneva conference. Together with them, the intelligence agencies are scanning the reports and analyzing the signs and trends as well as the statements and actions of the Soviet leaders themselves.

A few days ago at a banquet for the East German Communists, Nikita Khrushchev, the head of the Soviet Communist Party, made some interesting statements. It was one of his informal and likewise revealing speeches. He remarked, as reported by the radio and press services, that if anyone believes that our smiles involved abandonment of the teaching of Marx, Engels, and Lenin (the name of Stalin was added according to the official East German broadcasts but does not appear in the Moscow reports), he deceives himself poorly. Those who wait for that, he said, must wait until a shrimp learns to whistle.

There is some debate among the experts whether the word should be shrimp or crayfish, for there is an old Russian proverb that says, "I will do it when the crayfish whistles on the mountain top." This, I understand, is a Russian way of saying "Never"—although I learn on good authority that in the deep reaches of the sea, as detected by modern science, the crayfish or the shrimp do make some gurgling noises.

There is no hard evidence as yet which we as intelligence or law-enforcing officers can accept that the dangers we face from the secret underground subversive activities of communism have ceased. Let us hope they do. Let us hope that Khrushchev hears the shrill call of the shrimp.

Meanwhile in all free countries we cannot relax our vigilance in meeting the dual problem of protecting our national security from the lawless elements within and the lawless elements directed and controlled from without. In these tasks we shall

need sound intelligence as to the external and internal dangers to insure effective enforcement of law within a framework which safeguards the rights of the individual.

Transcript of Secretary Dulles' News Conference

Press release 589 dated October 4

Dangers of Middle East Arms Race

Secretary Dulles: I think we might as well start off with questions.

Q. Mr. Secretary, can you give us any information you might have about Mr. Allen's progress in talks with Nasser in Cairo?

A. He has had a very good talk, indeed two rather full talks, from which I think he has gained an insight as to the Egyptian motives in this matter, and I think that Colonel Nasser has gained an insight as to our attitude toward the matter. There is better understanding than there was before. I think in substance that is the result of his trip and that was the purpose of his trip.

Q. Mr. Secretary, can you tell us whether it is your understanding that the Egyptians intend to carry through with their arrangements to buy arms from Czechoslovakia?

A. We have no reason to believe that they will not carry the arrangement through, although when you talk about the "arrangement" you are talking about something that is a bit vague because we do not have any details about the arrangement. We do not know what is involved in this proposed transaction.

Q. Mr. Secretary, further in that connection, could you tell us whether our attitude toward the proposed contract arrangement has changed any since Mr. Allen completed his talks with Colonel Nasser?

A. I had prepared a little statement which perhaps I will read to you, because I anticipated questions on this topic.¹

At my press conference the last of August (August 30) I was asked about possible Soviet-bloc shipments of arms to Arab countries. I made two

observations. The first was that the Arab countries were independent governments and free to do whatever they wished in the matter. My second observation was that, from the standpoint of U.S. relations with the Soviet Union, such delivery of arms would not contribute to relaxing tensions.

Those two observations stand today. I might add this:

It is difficult to be critical of countries which, feeling themselves endangered, seek the arms which they sincerely believe they need for defense. On the other hand, I doubt very much that, under the conditions which prevail in the area, it is possible for any country to get security through an arms race. Also it is not easy or pleasant to speculate on the probable motives of the Soviet-bloc leaders.

In my talk about this matter of August 26,² I spoke of the fear which dominated the area and said that I felt that it could be dissipated only by collective measures designed to deter aggression by anyone. I proposed a security guaranty sponsored by the United Nations. That, I said, would relieve the acute fears which both sides now profess.

It is still my hope that such a solution may be found.

Q. Mr. Secretary, if I may ask one other question, there have been reports that the United States might provide arms to Israel to balance any arms shipments from the Soviet bloc to Egypt. Can you tell us whether this is a likely prospect or not?

A. No, I could not say whether it would be a likely prospect or not. As I say, in the first place we do not know what amount or character of arms may be involved in the Egyptian-Soviet bloc deal and to what extent, if any, it may seriously upset the balance of power in the area. It has in the main been the policy of the United States, as was set out in the joint statement which the British Foreign Secretary and I issued in New York last week,³ to avoid participating in what might become an arms race, and we still hope it will be possible to avoid getting into that situation.

Q. Mr. Secretary, is it clear as to whether the deal has been between Czechoslovakia and Egypt or between the Soviet Union and Egypt, or both?

¹ The following five paragraphs were also released separately as press release 588 dated Oct. 4.

² BULLETIN of Sept. 5, 1955, p. 378.

³ Ibid., Oct. 10, 1955, p. 560.

A. Well, it is announced as a deal between Egypt and Czechoslovakia, but I think that for this purpose it is hard to draw much distinction between the Soviet Union and Czechoslovakia.

Q. Mr. Secretary, is our concern only with arms shipments from the Communist countries or is it a question here of the importing of technicians—Soviet technicians?

A. That again is a matter as to which we have no knowledge, as to whether or not this will involve bringing in technicians.

Q. Mr. Secretary, the points on which you say we have no information suggest that Mr. Allen either has not inquired or has not succeeded in obtaining factual information about this situation.

A. Well, we have not gotten information about all these details, and the impression of Mr. Allen is that some of them, in fact most of them you have alluded to, have not yet been finally settled between the direct parties.

Q. Mr. Secretary, when you were in New York and met, I believe at dinner, with Mr. Molotov, you had occasion to talk about the Middle Eastern situation, the Egyptian problem, and so on. Could you tell us whether in fact you did discuss this matter with Mr. Molotov, and what his attitude appeared to be?

A. I can answer half your question. I can say we did talk to Mr. Molotov. In fact, I talked to him twice about it—when I first arrived in New York, which was, I think, 2 weeks ago today, and then again a week ago today when he and the British and French Foreign Ministers had dinner with me.

Q. Would you like to—would you feel free to tell us what line you took with him, sir?

A. I took about the same line that is expressed in this statement which I read in so far as it relates to the Soviet Union. You will recall that I said that "... from the standpoint of U.S. relations with the Soviet Union, such delivery of arms would not contribute to relaxing tensions."

Argentine-U.S. Relations

Q. Mr. Secretary, would you comment on recent developments in Argentina and include something about the actions and declarations of that Govern-

ment as they might affect Argentine-U.S. relations?

A. Well, the United States has recognized the new Government of Argentina, and the head of that Government and the Minister of Foreign Affairs have both indicated a desire to have close and friendly relations with the United States. We believe that that is sincerely their desire, and that is a desire which the United States reciprocates.

Trend in Indonesian Elections

Q. Mr. Secretary, I wonder if you would comment on the trends that seem to be showing up in the Indonesian elections?

A. No, I think I had better not comment on that, because the elections are not over yet. While I think the balloting has been finished in Java, the balloting has not even begun yet in other parts of Indonesia, and while an election is in process I think it would probably be inappropriate for me to comment on it.

French Withdrawal From General Assembly

Q. Mr. Secretary, there has been some more or less public debate about whether it was a good idea for the French delegation to walk out of the U.N. General Assembly. Would you say how you feel about it?

A. I would not want to attempt to characterize or comment on the wisdom of French action because this was a matter primarily of concern to them. I do feel that the action will probably not have either the effect of doing a damaging thing in the long run to the United Nations or that it will mean that France will not continue to play its historic role as a leading nation in matters of foreign affairs.

Q. Mr. Secretary, would you care to comment then about the vote in the U.N. about the Algerian question? Have you any comment to make about it?

A. Well, the position of the United States on that is well known. We voted against the inscription, and we spoke against the inscription, and in speaking against the inscription the statement made by Ambassador Lodge⁴ made quite

⁴ *Ibid.*, Oct. 10, 1955, p. 582.

clear, I think, the reasons why we were against. I have really nothing to add to what Ambassador Lodge said.

U.S.-Red China Geneva Talks

Q. Mr. Secretary, could you say whether any progress is being made in the Geneva talks with Communist China on the second item on the agenda? I notice they are claiming a slowdown on that.

A. There is no slowdown that I am aware of. The whole operation is slow. It took us, as you know, 6 weeks to get agreement in relation to the first item on the agenda, although that was a matter which Mr. Chou En-lai said would be easily settled, and yet it took 6 weeks. Progress in these matters is always slow and is seldom spectacular.

Q. Mr. Secretary, does there appear to be any chance that Red China might now renege on its agreement under item one?

A. Well, we are still holding to the belief that the Chinese Communists will carry out their agreement that all the Americans that are there are entitled to return and will be allowed expeditiously to exercise that right. You ask whether there is a chance that they may renege on it?

Q. Yes, sir.

A. I suppose that there is always such a chance, but we sincerely hope that they will not, and I would not say that there is any clear evidence which leads us today to believe that they will renege.

Geneva Foreign Ministers Meeting

Q. Mr. Secretary, could you comment on Mr. von Brentano's remarks in which he implied that the Geneva spirit could not contribute to the softening or removing of tensions until the true causes of these tensions had been actually removed?

A. Well, I think that is a very sound observation, and that was pretty much the understanding of the Geneva "summit" conference. You will recall that the invitation to that conference said that we would approach these problems in two stages. The first stage would be when the Heads of Government would get together and try to develop some new impulses for the solution of the

practical problems, and the second stage would be when the Foreign Ministers would then meet and actually tackle these problems. So, the Geneva conference as the first stage was never intended or expected itself to be decisive. Whether or not there would be a success would be dependent upon whether in fact the spirit generated at Geneva would bring about the solution of some of these practical matters, such as the division of Germany.

Q. Mr. Secretary, did you get any indication from Mr. Molotov in New York of proposals which he might make at Geneva or of the Soviet's attitude?

A. No, we had no discussion with Mr. Molotov about substantive matters that would come up at Geneva. We discussed primarily the agenda for Geneva, how we would go about it, and those practical problems which always come up in these meetings as to when we start and who presides, where we sit and how we translate, and such matters. We did not go into matters of substance.

Q. Mr. Secretary, how do you assess now the prospects of some measure of success at the coming Geneva conference?

A. I believe that we will make positive progress toward the reunification of Germany. Now I don't mean to say that we will conclude the matter at the Geneva conference because it involves very complicated matters, but I shall be greatly disappointed if we do not make substantial progress in that direction.

Q. Well, isn't that—just following that up if I may, sir—isn't the fact of intervening complications since the "summit" conference among the Western powers—just to mention a couple, Cyprus with the British and the Turks, and the North African-French situation—isn't that going to complicate our position even though those subjects are not directly involved in the conference?

A. No, I don't think so at all. We had meetings in New York last week with the Foreign Ministers of the United Kingdom, France, Germany, and myself. We discussed all aspects of this matter in great detail, and I have, I think, never participated in a meeting of the Western Foreign Ministers where there was such harmony and a common viewpoint about matters which are extremely complicated and which could very easily

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give rise to differences of opinion. It was an extremely satisfactory meeting, and I think we go to Geneva with a greater unity not only of purpose but of program than we have gone to any of these conferences of Foreign Ministers in the past.

U.N. Membership Question

Q. Mr. Secretary, would you care to explain the American approval of the Spanish application for membership in the United Nations in view of the Assembly's decision in the past on that?

A. I think that our position on all United Nations memberships is substantially the same as it has been in the past. We have never believed that the Security Council should operate as an agency for the vetoing of members. That is on the assumption that we would all take the same position. That, you may recall, was the provision in the Vandenberg resolution which was overwhelmingly adopted by the Senate in 1948.

We believe that candidates should be considered on their merits; they should not be arbitrarily vetoed in the Security Council. We believe that in that way we can carry out the spirit and intent of the provision of the charter which says that there should be eligible for membership all nations which are peace-loving and which are judged able and willing to carry out their obligations under the charter.

There are some nations which, it seems to me, have made clear that they are not either peace-loving, or able or willing to carry out their obligations under the charter, and we doubt that they should be allowed to come into the United Nations in violation of the charter, or merely in order to get other eligible nations in. Indeed, that was the interpretation of the charter which was placed upon it by a decision of the International Court of Justice. And we are trying to comply with that, being ready, as I said, and as our past record has indicated, not to exercise veto power but to allow the voting to operate free of veto on these matters, always, as I say, assuming that others would do the same.

Q. I understand that approaches have been made by Russia regarding the simultaneous submission of 16 or 17 members now. What do you think the Spanish application might do on that?

A. It seems to me that the answer I have given answers sufficiently, doesn't it?

Q. What I'm trying to get at is will the United States take the view that each application must be treated on its merits?

A. I think I have indicated that it is our belief that each nation should be considered on its merits and should be tested by the charter test of being peace-loving and willing and able to carry out such obligations as those that are contained in the charter. We don't insist that we alone have an arbitrary right to make that decision; that's the reason why we are willing to abide by the view of the majority, a qualified majority, and not insist upon exercising veto power. But we are not disposed to vote for countries that we think are quite clearly not qualified for membership and, indeed, where they have been denounced by the United Nations General Assembly itself for failing, in effect, to carry out charter provisions.

Q. Mr. Secretary, how would you evaluate the possibilities of new members coming into the United Nations this year?

A. Well, that's about as good a guess as to whether the Dodgers or the Yankees are going to win.

Effect of President's Illness on Foreign Policy

Q. Mr. Secretary, the day after the President's illness you made an evaluation as to what possible effect it might have.⁵ I believe you were going to Canada at the time. Would you tell us now what effect it has had on foreign operations or any other operations of Government so far as you can tell?

A. As I said at that time, the President's illness is a cause for sadness but it is not a cause of alarm. I think that estimate of the situation has been borne out.

I think it worth recalling in this connection the immense amount of forward work which has been done under the President's direction and with his participation in this field of foreign relations through the operation of the National Security Council. That is a body which, as you know, represents the agencies of government that are particularly interested in foreign policy, and through their Policy Planning Board they study various situations. They think ahead; they try to imagine what might happen. And these papers

⁵ *Ibid.*, Oct. 10, 1955, p. 566.

then of the Policy Planning Board are all discussed in detail with the President, and certain policy guidelines are laid down. Therefore, we have a very large amount of basic policy which has already been established with the knowledge, participation, and explicit approval of the President.

Now that doesn't mean that we have a sort of "pushbutton" foreign policy because, obviously, all of these matters have to be restudied, reconsidered in the light of the actual circumstances which create problems. But the broad lines are laid out, and we already know very fully the President's thinking on these matters.

Also, there is every reason to anticipate that it will before long be possible to talk to the President about any of these matters that become urgent. But, so far, there has not been any emergency of that character, and I am absolutely satisfied that our foreign policy at the present time is being conducted precisely along the lines that the President himself desires it to be conducted.

Q. Sir, when do you plan to go to Denver, all things being equal? If his health—

A. When would I go?

Q. Yes.

A. Well, that depends upon two factors that I can't anticipate: One is the factor of his improving health; the other is the factor of the importance or urgency of going. At the moment I have no matter of urgency which I feel ought to be discussed with the President.

Q. Mr. Secretary, going back to the question of the conduct of foreign policy while the President is ill, how do you interpret your powers in dealing with such things as sending Mr. Allen to the Middle East or answering the letter from Mr. Bulganin to the President about disarmament?

A. Well, on such matters as sending Mr. Allen to the Middle East, I have always dealt with things of that sort without any particular consultation with the President. Perhaps, if we had

been together, I would have mentioned it to the President. But the movement of my Assistant Secretaries has always been something which has been under my direction, and there has never been any question raised about that. The President has wanted me to assume that responsibility.

On a question such as the reply to Bulganin, you have got two phases of the matter: The one is what you might call an initial acknowledgment, and the other would be a reply of substance which would deal with the many difficult problems that are raised. Without saying that that full reply would necessarily have to await the President's attention, I think it can be said that it probably will await the President's personal attention. That is because, on the one hand, it will take quite a little time to prepare such a reply, and, on the other hand, it does involve questions of high national policy where it is certainly preferable to have the President's personal scrutiny of it. However, if he was unable to give that and the matter came to require urgent treatment, I think that both the Secretary of Defense and myself, Governor Stassen, and others involved find in the National Security Council papers sufficient guidance so we could deal with it if it had to be dealt with. But I do not feel it will have to be dealt with before the President can give it personal attention.

Q. Is it fair to infer from what you have just said, then, that you believe such powers fall back upon the Cabinet, or, for example, are your relations in any way different with the Vice President since the President's illness?

A. No. The Vice President has, in effect, continued the same relationship to the Cabinet and the National Security Council as he has at various times in the past. At times in the past, when the President has been away, the Vice President has presided, or oftentimes indeed while the President was here he would be interrupted during a meeting and at that point the Vice President would take over for him and carry on. There is no change that I am aware of in that relationship.

The Defense of Europe—A Progress Report

by Gen. Alfred M. Gruenther
Supreme Commander, Allied Powers Europe¹

At the age of 15, in my village of Platte Center, Nebr., population 374, I started to work for a bank. I was not a great success because I was always mixed up by the difference between collateral and money. My contention was that all you needed was more collateral because every time my boss ran into the question of a loan, he said, "Well, we have got plenty of money, but you don't have any collateral." And on this subject my boss and I did a good deal of splitting.

I might say that a few years later the bank failed, and there has been some suggestion in my village that my association with it didn't help the bank any.

I still feel in spite of that, though, that my previous condition of servitude should enable me to address you as fellow bankers.

I did not, however, come all the way from Paris, some 4,500 miles, to talk to you about banking. I came to tell you that if the project that I am connected with does not succeed, your membership—which has now, I understand, dropped from 30,000 in the 20's to 14,000 now—is going to go down a lot further—and not because of mergers, either. In other words, the basic issue is whether our system of life, which you gentlemen exemplify and which is anathema to the Soviet system, is going to survive. That is the reason why the North Atlantic Treaty was signed in 1949, and that is the reason why General Eisenhower went to Europe to organize the defense of Europe in the early part of 1951.

When he arrived there, the state of the defenses of the free world was in a very precarious condition. The first day that he landed in Paris, the

7th of January, 1951, we had extremely bad news from Korea, and the estimates were that the United Nations forces there would be ejected from that peninsula in a matter of weeks. In Europe itself, we had had evidence that Soviet imperialism was again on the march in the form of such incidents as the Czechoslovakia coup and the Berlin blockade.

As General Eisenhower took stock of what he had, he found out that his resources were extremely low, but that was not the worst of it. He could not use the resources that he did have. There was no common concept, and if there had been a common concept there was not even a way to implement it.

I had occasion on about the 24th of January, 1951, as his Chief of Staff, to put through a telephone call from Paris to Oslo, Norway, which was going to be one of our subordinate headquarters. I was told by the telephone operator that it would take about 8 hours to complete the call and to bear in mind that it would go through the Soviet Zone of Germany, and we would therefore have Communist assistance in completing the call.

At my office last Saturday I put another call in to Oslo and I got through in 3 minutes, and as far as we know we had no Communist help in implementing it.

I mention that because it is indicative of the progress which has been made. Our resources now are from four to five times what they were in those dark days of 1951, and from a standpoint of effectiveness our ratio of increase has been even greater still. We now have a functioning organization. Our headquarters are complete. Each one of them knows exactly what plans would be implemented in the event of emergency.

¹ Address made before the American Bankers Association at Chicago, Ill., on Sept. 28.

Rate of Progress

That is all to the good. That is progress much greater than we ever thought possible in the dark days of 1951. However, what you are interested in knowing is: "Are we strong enough now to resist successfully an all-out act of Soviet aggression if one should take place?" The answer to that question is, "No, not yet."

Our progress has been great, but it has not been that great; and just for fear that that may cause in your mind a feeling of depression, let me say that it would be nothing short of a miracle if we had developed to that extent. Considering the low level from which we started, and considering the fact that the Soviet forces had undergone practically no demobilization after the war, it is not strange that I have to give this kind of report to you.

Our progress, however, has been such that with the advent of the German forces, which should be effective in from 3 to 4 years if everything goes well, we think that at that time we shall be able to say that, if an act of aggression should come, we shall be able to defeat it. It is toward that goal that all of our planning is devoted and pointed.

By the same line of reasoning, the Soviets have set their objectives. The Soviet Government did everything possible to prevent the West German Government from joining NATO. That matter ended when the Germans joined NATO on the 9th of May this year, making the 15th country in our alliance. And now they are doing everything possible to prevent the German forces from coming into being.

At our headquarters, we who have the responsibility of the defense of Europe over a perimeter of some 4,000 miles, deal—or try to deal—in realities. We are considering what would happen if the Soviets engaged in military action. That does not mean that they are going to engage in that action, but our planning must be based on the assumption as to where we would be if they did.

Our first job, therefore, is always to assess what we refer to as their "military capability." What kind of forces do they have? How are those forces disposed? How effective are they?

They have a land army now of 175 divisions, the largest land army in the world, and the most effective one. Not all of the 175 divisions are perfect, but by and large they are well trained.

They have an air force of some 20,000 opera-

tional planes. When General Eisenhower came to Europe, they also had 20,000 planes, but at that time most of them were piston driven. Now the vast majority of them are jet planes, with new and improved versions of jet planes coming off the line all the time.

On the naval side, they are concentrating largely in the submarine field, and they now have about 350 submarines. To give you a measuring stick as to what 350 submarines mean, you should know that when the Germans started World War II they had only 75 submarines; so 350 represents a very extensive capability—not five times as great as the Germans had, for the Soviets still do not have the same know-how that the Germans did, but they are improving as time goes on.

Those forces that I have just mentioned are the Soviet forces. In addition they have the satellite forces. There are between 75 and 80 satellite divisions totaling between a million and a million one hundred thousand men. There are something like 2,500 planes in the satellite air forces.

All of that represents a very substantial capability. Our job, since we have the mission of defending Europe, has to be based on that capability. Even if there is going to be no war—and I personally think there will be no war—as you balance this power equation, if our side suffers by comparison on a ratio of whatever it may turn out to be—3 to 1, or 4 to 1 against us—and we are unable to equalize it, we will be gradually pushed back into a corner when it comes to this very stern job of negotiating with the Soviets.

Our task, then, is one not of advocating war, not saying that war is likely, but basing our plans on again what we refer to as enemy capability.

To sum up: When the German forces are effective, and assuming that we can have the use of new weapons, we shall be able to solve this problem; that will be roughly in 3 or 4 years.

Difficulties in Maintaining Unity

Having said that, I want to tell you that I think that the hardest period is coming now. We had great difficulties in the first 4½ years of NATO, but we had one big advantage, and that was that the free world was united by fear, a cement that held us together but which is gradually disappearing now, because under the "smiling campaign," under the tendency which is developing to relax, we are up against very tough opposition.

In the period that we are going to face in the next few years it is going to be much more difficult to get that unity and to continue the sacrifices necessary in this type of competition.

We consider that military security—or national security, if you will—consists of three elements: the economic side, very well known to you and earlier discussed by Mr. [Robert] Cutler yesterday; the military side, which I have been referring to briefly here; and thirdly, the psychological side.

This psychological side is the one where the Soviets are carrying on a very masterly campaign now. I do not want to be cynical about the outlook for the future, or about anything that has happened in connection with Geneva, but I simply want to bring us back to the realities that as of now they have an overwhelming power, and—especially in the conventional field—they still have a very big edge against us.

I have here a quotation from a talk that Mr. Khrushchev gave on the 19th of September, and here is what he said on that day:

We always tell the truth to our friends as well as to our enemies. We are in favor of a relaxation of tension, but if anybody thinks that for this reason we shall forget about Marx, Engels, and Lenin, he is mistaken. This will happen when shrimp learn to whistle. And I might say that shrimp do not whistle very often. We are for coexistence because there is in the world a capitalist and socialist system, but we shall always adhere to the building of socialism.

He was referring to three very famous men and referring to the principle of coexistence in connection with them. Incidentally, he said this with a smile, and in a very relaxed way of speaking, at the time he made this speech.

But let us go back now to one of these disciples, Lenin, and see what Lenin said on this same subject. This was in 1920, and here was Lenin's view at that time:

We are living not merely in a state but in a system of states and the existence of the Soviet Republic side by side with imperialist states for a long time is unthinkable. One or the other must triumph in the end. And before that end supervenes, a series of frightful collisions between the Soviet Republic and the bourgeois states will be inevitable.

Also, recall this—on the 19th Mr. Khrushchev is saying, "Anybody who thinks we have forgotten Lenin is badly mistaken."

Marx, to whom he also referred, wrote the bible for the Communist doctrine, and he has said some poignant things of interest. One is:

The democratic concept of man is false, because it is Christian. The democratic concept holds that each man has a value as a sovereign being. This is an illusion and a dream.

That is what Mr. Marx said.

On the 22d of September Mr. Khrushchev, in talking to a group of French parliamentarians on the subject of religion, had this to say. He had been talking to them and saying, "Now, we allow religious services to take place in the Soviet Union." And then he went on with this: "But you must not draw," said he to his French visitors, "the conclusion from this fact that communism has changed its point of view toward religion. We remain atheists and we do everything we can to liberate a certain part of the people from the opium attraction of religion which still exists. Antireligious work is carried out by literature and lectures, but care is taken never to annoy the priests."

I am bringing up these points simply to sound a word of caution that, while the smile campaign is certainly very advantageous and I am delighted it has taken place, the democracies, who have great difficulty in retaining their unity amidst this sort of atmosphere, must bear in mind that so far as we can tell now there has been no significant departure from any Soviet position which has heretofore been considered as important.

Strong Force for Peace

Two weeks ago yesterday, Mr. Bulganin and Mr. Khrushchev were entertaining Chancellor Adenauer and toasting to peace, perpetual peace. But at the very moment that was happening, in the satellite states the steam shovels were continuing their work in building additional airfields, and we have the situation that the Soviet potential continues to grow. Whether they will use those airfields or not, I cannot say, but our job—and our job from the question of creating an enduring and lasting peace—is that we must be able to maintain a balance of power, and that is the object of the North Atlantic Treaty Organization.

Our thesis—and it is the thesis of all of the 15 governments—is that if we can develop sufficient power to make an attack by an aggressor extremely costly, then it will never take place. In other words, we consider that we are a peaceful organization, and, in case there might be in any of your minds a lingering doubt as to whether or not we have aggressive tendencies, let me assure you

that in our headquarters, which does a major part of the planning, there has never been as much as a single sentence written which envisages that we take the initiative in an attack. In fact, our big worry is how we can absorb, and how we can survive, under an attack in which the other side has the advantage of surprise.

We can therefore approach the world and the Soviets with a clean heart, that actually the object of our organization is to prevent war from taking place. We consider it a strong force for peace.

Most people agree to that, and I am sure there is no difference of opinion among the people in this audience on that score, but here is where the problem comes: An alliance is a very difficult thing to make function. None has ever functioned successfully in all of history in time of peace. Ours has functioned reasonably well in these 4½ years since General Eisenhower went to Europe, but how it is going to function in the future depends more and more on the participation of the people, their confidence that it is an instrument for peace, and their belief in it to the extent that they will continue making the necessary sacrifices.

Exercising World Leadership

We do have this matter to consider and that is that it is of tremendous importance for America to keep this alliance going, because of our position in the world now, and certainly in the industrial field of production and productivity achievements. This mantle of world leadership has fallen on our shoulders, but that same mantle does not give us necessarily the wisdom to lead the world in this kind of competition.

I will take my own case: I went to school in our little village of Platte Center, taking up geography and history and trying to cheat our teacher out of a grade, but I did not give one continental damn about geography and history.

I went to college and I cared less, so that the preparation that I have for a job like this I have been learning at the rate of 14 hours a day since I have been on it. We have two sons in our family, and they have resisted education even better than I did.

Your sons and daughters may be exceptions, but as we see them come over to our place, I have my doubts, and I have this feeling, that we have got to learn a great deal more of the world, what makes it tick, and why the other fellow's point of view is one that has to be considered. We have

a tremendous amount of progress that is needed in that field, and the Soviets are masters at it. We also need to approach this task with humility, for we have a lot to learn.

The Soviets, from the standpoint of propaganda, and especially from the standpoint of devising propaganda, do a very effective job, and at stake are 450 million people that belong to the North Atlantic Treaty Organization, of which 165 million people are ours.

Probably the impact on our people, we say, is not so great, but it makes a difference to be 30 minutes away from Soviet bombers, as many of the people of Europe are, where devastating attacks can be launched on them, and the tendency for wishful thinking is one that is inherent in all human beings. Certainly you see tendencies of it even in this country. To be able to keep an alliance in this kind of atmosphere is going to require a very widespread exercise of leadership, and that is the reason why I bring this matter to your attention.

You are all very important executives. You are leaders in your own community. I turn the problem over to you because in this psychological field you can make a great contribution even if you do no more than to spread confidence in the organization. Over and over again you should say the security of the free world depends upon our ability to maintain this alliance.

This alliance is certainly the most important one now in being from the standpoint of its extent. I have confidence that we are going to be able to solve this. I have been in the military service—in another month—37 years. Our headquarters is the happiest one I have ever been associated with. That is due to the fact that General Eisenhower was the first commander and was there for a year and a half. As he started it out, he assembled the officers and he said to them this: "I feel that the key characteristic of an Allied staff officer is the ability to have a ready smile." That was his way of saying that friends could work well together.

That has been the secret of our success, and we have an extremely dedicated group of officers. If we can spread that same attitude to the rest of the 450 million people of NATO, there is no question that we are going to be able to stop this war from ever taking place, or that we will be able to handle ourselves well in the cold war.

You will be interested in another thing that General Eisenhower did at our headquarters. He

felt that with this problem of 12 nationalities—which there were then, 15 now—you would make a great contribution if you could have those people live together. He worked it out with the French Government to have an apartment settlement which became known as SHAPE Village. It has paid tremendous dividends. They have their own club there. Three hundred families live in one area. They also have their own school.

You will be interested in this school. In one class that I visited just before the vacation started, there were 32 people from various nationalities, and in that class the English prize was won by a Turkish girl 14 years old. (There were six Americans in that class, five Britishers, two or three French, and various other nationalities.) I talked to her mother just last Wednesday. The mother—if she lives to be 150 years old, there is nothing in her life that will ever please her as much as the fact that her daughter, who came to that school only 2 years ago, was able to win first prize in English. The father and mother knew no English when they came there.

It is the development of that type of understanding which is going to make this thing work.

I am certain that it can work. You may say that I am an optimist. I plead guilty to that charge. I like to think, however, that I am more than an optimist. I like to think that I have faith—faith in our civilization and its dedication to the dignity of the human individual and all that that implies, with our dedication and devotion to religion and all the advantages that stem from that.

It has been a great honor for me to come here today. I understand that, when I finish, the program will be over.

There was a friend of mine who belonged to a political party in one of the Southern states, and in their campaigning it was their custom to have seven or eight or nine people travel around in a caravan and deliver political speeches. On one such occasion they were in a grove of trees and there was going to be a barbecue following. As the speakers went on, the barbecue people went to their task and the aroma of the barbecue began coming over the crowd, and one by one the crowd departed.

My particular friend sitting in the front row noticed this, and when he got up to speak, lo and behold, there was only one fellow left. He had to make a decision what to do, and he decided

that he would go through with his speech anyway, which he did with all of his gestures and delivered a very fine talk. He finished and he turned to this one fellow who was there. He said, "I want to thank you, my friend, for staying. Certainly that was a very fine act of courtesy. Just as a matter of interest, tell me—Why did you stay?"

"The answer is simple: I am the last speaker."

I am very much flattered that the entertainment characteristics of the hotel have not attracted you people away, and I am very delighted to have had this chance to appear before you.

I gather from listening to Mr. [Clarence] Randall's talk that all bankers are rich! When I was a banker, we were not, but I understand that has changed now and sooner or later you will be coming to Europe. I am not going to get into the subject that Mr. Randall has given you instructions about, but I would like to extend to you an invitation; instead of going to the night clubs in Paris—although we can arrange that for you if you like—to come and visit SHAPE, our headquarters on the outskirts of Paris, where you can see what we are trying to do. We do not claim we have the answer. We don't resent criticism. We feel that the one item which could destroy our organization is indifference. If we can get your interest any time you are over, please know that you will be really welcome at that headquarters.

In conclusion I want to say that I feel that we have made such tremendous progress that, if we were to weary and falter now, it would be nothing short of a catastrophe. We have a fateful period coming up. A month from today you will be reading the first report of the second Geneva conference, which starts a month from yesterday. I hope that, whatever our leaders decide in regard to a position, you are going to give them your support. It is important, of course, that we get an agreement with the Russians, but what is more important still is that we be right and that we get out of this an enduring and stable peace. The two things are not the same necessarily. For the people to understand that is very complicated and is going to require a high degree of application on the part of leaders such as you.

I wish you all possible success in your work. Again I thank you. I express my complete confidence that we are going to be able to solve this problem and, if we can only preserve our unity, I am positive that no power, however menacing, will be able to prevail against us.

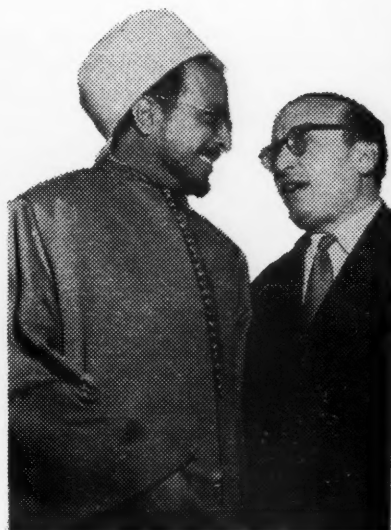
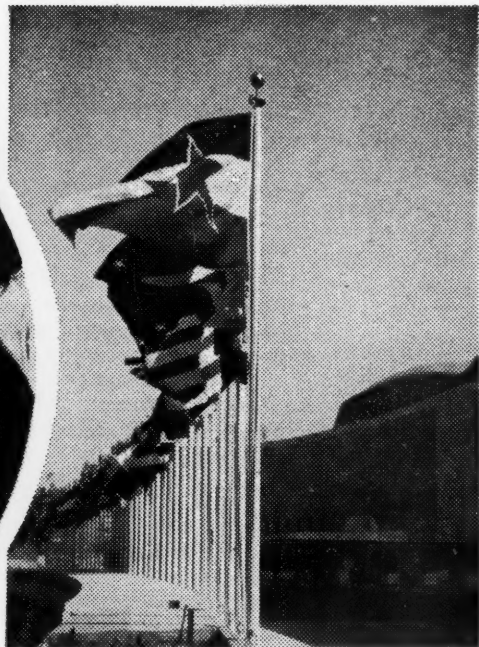


UNITED NATIONS



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ONDAY *October 24, 1955*



... WHEREAS the United Nations has entered on its tenth year of unremitting labor toward realizing the hopes of mankind for an ordered world based on the supremacy of reason and justice ..."

FROM PRESIDENT EISENHOWER'S
U. N. DAY PROCLAMATION



Need for Expanding Use of U.S. Books Overseas

Following is the text of a letter dated September 26 from Nelson A. Rockefeller, Special Assistant to the President, to Arthur A. Houghton, Jr., chairman of the Conference on Books Abroad. The letter was read at the conference, held at Princeton, N. J., September 29-30.

It was a very pleasant surprise for me to see the extensive preparation which has been made for the Conference on Books Abroad at Princeton. As you commence your discussions, I want to assure you of your government's deep interest in the value of books in the field of international relations.

Books are one of the windows to a nation's soul and spirit. When more American books and publications are read overseas, we shall have many more friends abroad who are understanding supporters of American foreign policy. I realize that books make their influence effective only over the course of years. Because we have so long delayed a really major effort in this field of books, a major program is now absolutely necessary. The U.S. Information Agency has been making substantial and successful use of books, but a government agency cannot fully meet the challenge in this field. Regular publishing channels must be the main instrument for insuring adequate commercial distribution of significant American books. Let me assure you and your Conference that your efforts to increase book distribution are of major importance to United States objectives.

The current passion for education throughout the world opens great opportunities for books to reach and influence present leaders and the students who will be the future leaders. Opportunities will vary from country to country, but a stable, long-range program by skilled personnel would accomplish major results. American world leadership, the quality of American achievements in scientific, professional, technical and cultural fields, and the pressing need to reflect this leadership and quality of achievement throughout the world, warrant the greatest possible effort to expand the use of American books throughout the world in the present half-century. Your government stands ready to cooperate with you in lessening the major obstacles which stand in the way of this expansion.

With sincerest wishes for the success of your Conference and the publishers' subsequent efforts to increase American book distribution, I remain,

Sincerely,

NELSON A. ROCKEFELLER
Special Assistant to the President

United States Position on U.S.S.R.-East German Agreements

Press release 584 dated October 4

The following is the text of a note delivered by the American Embassy at Moscow to the Soviet Foreign Ministry on October 3. Similar notes were delivered on the same day to the Soviet Foreign Ministry at Moscow by the Embassies of France and the United Kingdom.

The Government of the United States of America, in agreement with the Governments of the United Kingdom and France, wishes to make known its position with regard to the agreements concluded at Moscow on the 20th of September 1955 between Marshal Bulganin and Mr. Grotewohl, as published in the press.

The three Governments declare that these agreements cannot affect in any respect or in any way the obligations or responsibilities of the U.S.S.R. under agreements and arrangements on the subject of Germany, including Berlin, previously concluded between France, the United States, the United Kingdom and the U.S.S.R.

The three Governments consider that the U.S.S.R. remains bound by the engagements which it has assumed vis-a-vis the Three Powers concerning Germany, and that, in particular, the letters exchanged between Mr. Zorin and Mr. Bolz on the 20th of September 1955 cannot have the effect of discharging the U.S.S.R. from the responsibilities which it has assumed in matters concerning transportation and communications between the different parts of Germany, including Berlin.

Effective Date for Concessions to Italy

Press release 590 dated October 5

As stated by the Department on August 22, 1955,¹ in accordance with the provisions of the

¹ BULLETIN of Sept. 5, 1955, p. 397.

Protocol for the Accession of Japan to the General Agreement on Tariffs and Trade, U.S. concessions to countries other than Japan in connection with the negotiations for Japan's accession will be made effective 30 days after such countries notify the Executive Secretary of the general agreement that their concessions to Japan are being placed in effect.

On September 5, 1955, the Italian Government gave notification of intention to apply the concessions contained in its schedule to the Protocol. Accordingly the United States will on October 5, 1955, apply the concessions initially negotiated with Italy. The items affected are:

Item Designation	Description
1531 [first]	Coin purses, change purses, bill-folds, bill cases, bill rolls, bill purses, banknote cases, currency cases, money cases, card cases, license cases, pass cases, passport cases, letter cases, and similar flat leather goods; all the foregoing wholly or in chief value of leather other than reptile leather
1531 [second]	Articles provided for in paragraph, 1531, Tariff Act of 1930, if wholly or in chief value of reptile leather and permanently fitted and furnished with traveling, bottle, drinking, dining or luncheon, sewing, manicure, or similar sets

The President has notified the Secretary of the Treasury of the effective date for the concessions to Italy.

Memorandum for the Secretary of the Treasury¹

OCTOBER 3, 1955

Reference is made to my proclamation of July 22, 1955² carrying out the Protocol of Terms of Accession by Japan to the General Agreement on Tariffs and Trade.

On September 5, 1955 Italy gave to the Executive Secretary to the Contracting Parties to the General Agreement the notification referred to in paragraph 3 of the Protocol for the accession of Japan, of intention to apply on October 5, 1955 concessions which it had negotiated initially with Japan. Accordingly, pursuant to the procedure described in Part I(b) (1) of the above-mentioned proclamation, I hereby notify you that both items 1531 in Part I of Schedule XX to the said Proto-

¹ 20 Fed. Reg. 7801.

² BULLETIN of Aug. 8, 1955, p. 226.

col shall not be withheld pursuant to paragraph 4 of the said Protocol on or after October 5, 1955.

Loan to Ethiopia for Expansion of Aviation Facilities

Press release 583 dated October 3

The Department of State welcomes the decision of the Export-Import Bank to establish a credit of \$24 million in Ethiopia's favor for the development of commercial airfields and aviation facilities throughout the country. The loan indicates the bank's confidence in Ethiopia's capacity for economic expansion and is in line with the desire of the United States to strengthen further the already close cooperation between Ethiopia and the United States. Ethiopian Air Lines, whose expansion the loan will support, is already an outstanding achievement of Ethiopian enterprise assisted by private American technical knowledge. The airline is wholly Ethiopian owned but managed under contract by an American air carrier, Trans-World Airlines.

The bank's action is viewed by the Department as further tangible evidence of the interest which the U.S. Government expressed in the sound development of Ethiopia's economy at the time of Emperor Haile Selassie's visit to this country in the spring of 1954.

Emergency Assistance to India

Press release 585 dated October 4

The Governments of the United States and India announced on October 4 the exchange of notes covering the extension of emergency assistance to help relieve the recent flood disaster in northeast India. This assistance includes 10,000 tons of wheat and 10,000 tons of rice. The food grains will come from Government stocks held by the Commodity Credit Corporation, and the U.S. Government also will bear the cost of transportation to Indian ports. Additional assistance may be made available by the United States if conditions warrant.

It is estimated that the continuing floods, among the worst disasters in the history of Asia, have destroyed and damaged many thousands of villages and the homes of some 16 million people

in the states of West Bengal, Bihar, Orissa, Assam, and Uttar Pradesh.

Immediate relief in the form of medicines and other emergency supplies, donated by Red Cross societies and other voluntary agencies in many countries including the United States, has been flown to New Delhi on U.S. Government planes. Supplies were also made available from League of Red Cross Society stocks in Geneva.

The offer of U.S. assistance, made in a note from U.S. Ambassador John Sherman Cooper to Minister of Agriculture P. S. Deshmukh for Prime Minister Nehru, is being given under provisions of title II, Public Law 480, which authorizes the use of surplus American agricultural products for relief purposes. The shipment of wheat to devastated areas in India will begin shortly.

Korean Tax Problem

Press release 586 dated October 3

The taxation of American businessmen in Korea has recently been the subject of discussions between our Embassy in Seoul and the Government of the Republic of Korea. There has been so much confusion about the problem that the Department of State considers it desirable to clarify the issues.

The Korean Minister of Finance has repeatedly assured officers of the American Embassy in Seoul that American businessmen are paying and have in the past paid personal income taxes, taxes on agents' commissions, and certain other taxes, their liability for which is clearly established. The current controversy does not involve personal tax obligations.

The tax in question is the "Business Tax" levied under Korean law No. 48 of August 13, 1949. In American terminology, this tax as applied to the businessmen involved is known as a sales tax. Explanations of the law made public by the Tax Bureau of the Finance Ministry of the Republic of Korea as recently as June 1955 indicate clearly that it was up to that time regarded as a tax to be levied on goods and services in Korean domestic trade only, and this is verified by the way in which the law was implemented. No effort was made by the Tax Bureau before July 1955 to collect this sales tax on transactions in international trade in which the sales were made outside Korea and title to the goods was transferred outside Korea.

In July and August 1955 the Korean Tax Bureau sent bills to representatives of certain American firms in Korea for amounts that were declared to be due the Republic of Korea by those firms as taxes under law No. 48. They were taxes on goods that had been brought into Korea, but the sales transactions had in the great majority of cases been completed outside Korea and the title to the goods involved had also been transferred outside Korea. The bills were in varying amounts, but in the case of one firm amounted to \$214,000 at the current rate of exchange. In discussing this subject with the Korean Government, the American Embassy at Seoul has not disputed the right of the Korean Government to levy a sales tax on goods in international trade under the provisions of law No. 48. However, it has, on instructions from the Department of State, discussed the advisability of taxing sales transactions which are largely international in character, contrary to the practice of most countries, and has raised questions with respect to the fairness of applying a new interpretation of the law retroactively to past transactions.

The sovereignty of the Korean Government in taxation matters is therefore not the issue in the present discussions, nor is it a question of discrimination. The issue is rather the equity of the application of a new interpretation of law No. 48 to transactions that took place before the interpretation was made public when there had been good reason to expect that the law would not be so construed.

Most of the American businessmen in Korea are neither importers nor exporters of goods. In the vast majority of cases they are on a salary basis and are engaged in promoting sales rather than making them. At no time do they hold title to the goods whose sales they promote nor do they handle the money which is involved. In these circumstances a sales tax levied on goods whose purchase they promote cannot be considered a personal tax obligation of the businessman. The tax, if payable at all, is an obligation of the company which the businessman represents and not of the businessman personally. Nevertheless, the Korean Ministry of Foreign Affairs has informed the Embassy at Seoul that it will not issue an exit permit to the principal representative of a firm from which this sales tax is considered due until the tax has been paid.

In representing the interests of American busi-

nessmen on this score, the American Embassy has held that it is contrary to the principles of equity to limit the freedom of movement of an individual on account of sums that may be due from his employers.

Export-Import Bank Reports on Lending Activities

Eximbank press release dated September 29

The Export-Import Bank of Washington on September 29 transmitted to the President and the Congress its semiannual report for the half year which ended June 30, 1955.¹ The bank is the foreign lending agency of the U.S. Government.

The first half of the calendar year 1955 witnessed a continuing uptrend in the lending activities of the Export-Import Bank. During this period it authorized 115 new credits totaling \$336.7 million. Included in the new credits were 81 individual exporter credit lines totaling \$123.1 million. The bank allocated \$21.5 million to specific projects under credits previously authorized and approved 6 transactions totaling \$1.3 million under exporter credit lines. For the fiscal year 1955, the bank's new credit commitments amounted to \$628.3 million.

In the same 6-month period, the bank disbursed \$137.8 million under existing loan authorizations and received repayments of principal amounting to \$167.4 million plus interest payments of \$42.6 million. Disbursements for the fiscal year 1955 totaled \$273.5 million, and principal repayments on all loans amounted to \$298.1 million.

The credits authorized during the 6 months ended June 30, 1955, increased the total credits authorized by the bank from the time of its establishment in February 1934 to \$7.2 billion. As of June 30, 1955, the total amount disbursed under such authorizations was \$4.9 billion, of which \$2.2 billion has been repaid.

On June 30, 1955, 438 loans were outstanding in 50 countries. The total of the loans outstanding was \$2.7 billion, and the portion of credits authorized but not yet disbursed was \$753 million. Deducting these amounts from the bank's lending

authority of \$5 billion left an uncommitted balance of \$1.5 billion at the fiscal year end.

For the fiscal year the total revenue of the bank from interest on loans amounted to \$85.7 million, out of which \$25.5 million was paid as interest on funds borrowed from the U.S. Treasury and \$1.1 million was expended for operating expenses. Deduction of all expenses from gross revenue left net earnings for the fiscal year of \$59.1 million, of which \$29.5 million was earned during the final 6 months.

In June a payment of another \$22.5 million annual dividend to the Treasury of the United States was approved, representing 2¼ percent on the \$1 billion of capital stock of the bank. This dividend was paid out of profits made during the fiscal year ended June 30, 1955. Accumulated earned reserves now total \$367.1 million.

New applications are being received at a rate over three times the previous 3-year average, and the number of credits authorized during the first 6 months of 1955 was larger than for any previous 6-month period since the bank was established. The bank has continued its practice of assisting exporters in financing specific transactions on a case-by-case basis. In addition, the bank has undertaken, in appropriate cases, to establish credit lines for exporters under the terms of which they are apprised in advance in fairly specific terms how far the bank may be willing to go in financing their exports to specific countries.

Although most requests for assistance in the past year have originated with U.S. suppliers, the bank has continued to receive and, in appropriate cases, to approve requests of foreign entities and governments for credits to finance the acquisition of U.S. materials, equipment, and services for developmental projects to be undertaken abroad.

The bank conducts other lending operations at the request and for the account of other agencies of the U.S. Government which are recorded independently of operations under the Export-Import Bank Act of 1945, as amended. For instance, as agent for the Foreign Operations Administration, the bank paid \$36.2 million to the U.S. Treasury during the fiscal year 1955 from collections made on approximately \$1.7 billion in loans to 26 countries made under the Mutual Security Act of 1954 and prior legislation.

¹For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D. C.; price, 40 cents.

Importance of International Travel to the Foreign Trade of the United States

by Somerset R. Waters¹

Let us first raise the question suggested by the topic to be discussed. Is international travel of major importance to foreign trade? One way to answer this is to point to the number of high-level governmental bodies which have considered the economic aspects of travel during the past few years. I believe I am safe in stating that no other administration has given such active consideration to the problems of international travel.

The President's Commission on Foreign Economic Policy under the leadership of Clarence Randall included a study of this subject and made recommendations pointing toward Government action to encourage and expand international travel.² The President in his foreign economic messages to Congress in the past 2 years emphasized the importance of tourist travel.³ The Rio economic conference in November 1954 included this subject on its agenda. The recent meeting of the Economic and Social Council of the United Nations considered tourism and supported resolutions on this subject at the recommendation of the U.S. delegation.⁴ Two weeks ago, when the Foreign Minister of Japan, Mr. Shigemitsu, visited our country, a delegation from his mission visited the Department of Commerce to discuss the subject of expanded travel to Japan. This list is incomplete but gives some idea of the top-level consideration being given to this subject which is of interest to all of us.

In our writings and speeches we constantly refer to the close relationship between international

travel and the establishment of more peaceful conditions throughout the world. At the recent "summit" meeting in Geneva we had dramatic proof of this close relationship. When I read President Eisenhower's report of the Geneva conference, I thought of that old slogan of the European Travel Commission: "Understanding through travel is the passport to peace." The President's remarks were as follows:⁵

... The subject that took most of our attention in this regard was the possibility of increased visits by the citizens of one country into the territory of another, doing this in such a way as to give each the fullest possible opportunity to learn about the people of the other nation. In this particular subject there was the greatest possible degree of agreement. As a matter of fact, it was agreement often repeated and enthusiastically supported by the words of the members of each side.

Of course, as the President also stated, the acid test will begin in October, when the Foreign Ministers meet to take the conclusions of this conference and translate these generalities into actual, specific agreements.

Increase in International Travel

In discussing the importance of travel to foreign trade, it becomes necessary to cite a few statistical facts. To begin with, international travel is increasing at such a rate that we expect that in 1955 U.S. residents will spend about \$1.5 billion on travel abroad. This includes spending within the foreign countries as well as fares on international carriers. Of the money spent within these countries in 1954, a rough division was like this: out of each dollar spent for foreign travel, 37 cents went to Europe, 30 cents to Canada, 20 cents to Mexico, and 13 cents was divided through the

¹ Address made before the Travel Writers Association of New York at New York, N. Y., on Sept. 12. Mr. Waters is Special Consultant on International Travel to the Assistant Secretary of Commerce for International Affairs.

² BULLETIN of Feb. 8, 1954, p. 187.

³ *Ibid.*, Apr. 19, 1954, p. 602, and Jan. 24, 1955, p. 119.

⁴ *Ibid.*, May 2, 1955, p. 741.

⁵ *Ibid.*, Aug. 8, 1955, p. 217.

rest of the world. Our citizens are spending enough in foreign countries to pay for about 10 percent of our merchandise exports. This means that international travel is providing the dollars to pay for approximately one-tenth of the purchases by foreign countries of the products of our farms and factories. There can be no question of the great significance of travel to foreign trade. Your own work, when you write on foreign travel, directly affects an important segment of our economy.

Another method for demonstrating the increasing importance of tourist travel to foreign trade is to compare our merchandise imports with our expenditures for foreign travel. These imports, like travel, provide dollars to bolster the economies of foreign countries. In 1951, the ratio of travel earnings to imports was 7.6 percent. Five years later, in 1955, it appears that this ratio will approach 12 percent. Not only is travel important to foreign trade, but its relative importance is growing at a rapid rate.

Changes in Division of Tourist Dollar

If you can bear with me for a few more statistics, you may be interested in some changes taking place in the division of our tourist dollars. Back in 1948, Canada received 45 percent of the dollars spent by tourists outside the United States. By 1954, Canada's percentage of these tourist dollar expenditures had dropped to 30 percent. While Canada is now receiving a smaller portion of the total expenditures, Europe has jumped from 21 percent of the total in 1948 to 37 percent in 1954. Mexico, on the other hand, continues to get about the same percentage. It received 19 percent of the tourist dollars back in 1948 and 20 percent in 1954. Of course, Mexico is receiving more dollars today because the total dollars expended have greatly increased. The point is that Mexico's share of the total has remained stationary. The same is true for Bermuda, the West Indies, and Central America, when considered together. This group received 9 percent of the tourist dollars in 1948 and 9 percent in 1954. South America has shown a slight decrease, receiving 3.6 percent in 1948 and 2.3 percent in 1954. This all adds up to evidence of a dramatic job being done by Europe, backed with substantial help from all of you in this room, plus strong advertising and public relations programs from some of the European countries. It

presents a challenge to the other parts of the world to find ways to increase their sales efforts in this big competitive race for a share of the customer's dollar.

Now that the big summer season is behind us and we begin to consider 1956, it is interesting to note that we have reached a period 11 years after the close of World War II. It was in 1929, 11 years after the close of World War I, that international travel reached its peak prior to the depression of the 30's. The obvious question that comes to mind is: Are U.S. citizens today spending as large a percentage of their income for foreign travel as they did in 1929?

When we examine the facts, we find that tourist travel, like other segments of the leisure and recreational market, is not keeping pace with the large increase in consumer disposable income. *Fortune* magazine in its article, "30 Billion for Fun", in the June 1954 issue, suggests that the leisure market is a lazy market. It is big, but it should be a lot bigger. *Fortune* points to the current vigorous upward trend and suggests that one day soon this market may "simply take off."

Back in 1929, we spent eight-tenths of one percent of our disposable income for foreign travel. Today we are spending only five-tenths of one percent. If we devoted the same percentage of our disposable income to foreign travel in 1955 as we did in 1929, we should be spending more than \$2 billion.

When we examine the record, we find that the percentage of travelers to Europe today, as compared to total U.S. adult population, is just about the same as in the late 1920's. When we consider the great increase in disposable income, plus the introduction of air travel, plus increased leisure time and increased education of our people, we can see that we have no great grounds for self-satisfaction in contemplating the present traffic to Europe.

Apparently, if we make comparisons in dollars of constant purchasing power for travel to Europe, we find that there has been quite a decrease in the spending per person. Thus, in obtaining increased growth in travel, the question arises: Do we try to encourage travelers to spend more per person or should the industry concentrate on increasing the total traffic? I believe most of you would agree that the proper target should be one of bringing about a considerable increase in the number of travelers.

While we are considering the various changes in the travel market, as compared to prewar years, it might also be interesting to point out that, in the 1930's, 6 percent of American travel expenditures were made in Eastern European countries. In the coming years, if more peaceful conditions permit removal of barriers to travel in these countries, this would have an important effect on the European travel market.

Another important development which is stimulating travel to Europe is the development of the "pay later" plan. The Department of Commerce made a survey of the use of the "pay later" plan for U.S. residents traveling by air to Europe between October 1954 and March 1955. It discovered that in this period approximately 4 percent of these travelers to Europe made use of this plan as compared with 1.5 percent for the entire world. The airlines have indicated that most of these customers represented new business which would not have been obtained otherwise. The most interesting discovery in this survey was the strong use of the "pay later" plan among foreign-born travelers to Europe. In this special category, over 6 percent financed their travels through use of this plan.

Foreign Travelers in U. S.

So far we have discussed travel by Americans to foreign countries. It should be noted that the United States is not only the biggest exporter of tourism but we also obtain more income from visitors than do other countries. We are the leading host nation.

In 1954, the United States obtained a total of more than \$600 million from foreign travelers visiting our country. This included \$70 million in payments for fares to U.S. carriers and \$538 million from foreign visitors traveling within the United States. Of the amount spent within the United States, Canadians spent \$311 million; Western Europeans \$48 million; Mexicans \$53 million; Cubans \$23 million; other Latin Americans \$68 million; and all others \$35 million.

On the subject of travel to the United States, may I make a suggestion for serious consideration by all of you experts in the field? This is the question of whether the U.S. Government should maintain travel promotional offices abroad for the purpose of attracting tourists to the United States.

As you know, Canada, Mexico, England, France, Italy, and other major powers have government offices charged with the responsibility of increasing travel to their respective countries. Now that the economy of the world is much improved, it may be wise to consider whether or not a similar organization should be created by our Government. I am in no way advocating that our Government should establish such an organization, but I do strongly suggest that the pros and cons be given full consideration. Such a discussion should be based not only on economic advantages but also on the value of having more of the peoples of the world see the United States with their own eyes instead of depending on sometimes confusing impressions derived from descriptions appearing in the foreign press.

Seasonal Problem in Trans-Atlantic Travel

Another major problem which still requires the use of all of the ingenuity of the travel industry is that of finding a solution to the seasonal structure of trans-Atlantic travel. We have seen how resort areas such as Miami, Hawaii, Nassau, and the southern coast of France, as well as many others, have been able to make great strides in putting tourism on a year-round basis. I, for one, believe that ways can be found to bring about a similar year-round travel pattern for Europe. Lower transportation and hotel rates, increased promotion, removal of currency restrictions to increase traffic from Europe, relaxation of tensions between East and West, increased travel to the Middle East, and round-the-world travel are all subjects to be discussed from the point of view of their effect on the seasonal problem in trans-Atlantic travel.

On another subject, much remains to be accomplished in easing governmental barriers to travel to the United States. This subject is receiving greatly increased attention in Washington at the present time, and we are making some headway. I expect you will witness some substantial improvements in the coming year.

Not only do we still impose a number of restrictions, but many foreign governments continue to impose currency restrictions as well as other restrictions which prevent their nationals from paying us a visit. Of course, there are still many countries where such restrictions may be necessary, but, in view of the improved economic

situation in many parts of the world, it is suggested that the time has now arrived for the removal of these currency restrictions in a number of countries.

The question of removal of the travel tax on foreign travel to certain areas will undoubtedly receive consideration when Congress meets again in January. As you know, a bill eliminating this tax has passed the House of Representatives and is now awaiting action by the Senate.

In looking ahead a few years, we hope to see many more countries in the world showing an interest in the development of tourism. The countries of South America as well as many of the countries in the Pacific and Southeast Asia have yet to initiate programs to attract U.S. tourists. There are great sections in the world where only limited hotel facilities are now available. I believe it is fair to say that, among the great areas of international trade, tourism may still be considered in a period of early development. In view of the present state of our economy, the possibilities for expansion seem to be tremendous.

To summarize these rather rambling remarks, we see here an industry which by comparison with the depression years of the 30's and the war years of the 40's seems to be booming. However, when we look at the picture objectively, we see in reality that international travel has not kept pace with many other competitors for the consumer dollar nor with the growth of available income. Furthermore, despite the big growth in travel to Europe, the percent of U.S. residents now engaged in European travel, as compared to our total population, is approximately the same as existed in the late 1920's. This presents a challenge to all of us who serve this industry, whether in Government, in private enterprise, or in the writing professions. The means by which other industries have accomplished their sales objectives are well known. Let us hope that they may be increasingly applied to international travel in the coming years.

Current Treaty Actions

MULTILATERAL

Drugs

Protocol for termination of the Brussels agreements for unification of pharmacopoeial formulas for potent drugs.

Signed at Geneva May 20, 1952. Entered into force May 20, 1952. TIAS 2692.
Acceptance deposited (with reservations): United Kingdom, August 11, 1955.

Narcotic Drugs

Protocol amending the agreements, conventions, and protocols on narcotic drugs concluded at The Hague January 23, 1912, at Geneva February 11 and 19, 1925, and July 13, 1931, at Bangkok November 27, 1931, and at Geneva June 26, 1936, by transferring certain duties and functions from the League of Nations to the United Nations and World Health Organization. Done at Lake Success December 11, 1946. Entered into force December 11, 1946. TIAS 1671, 1859.

Signature: Spain, September 26, 1955.

Protocol bringing under international control drugs outside the scope of the convention of July 13, 1931, for limiting the manufacture and regulating the distribution of narcotic drugs, as amended by the protocol signed at Lake Success December 11, 1946. Done at Paris November 19, 1948. Entered into force December 1, 1949. TIAS 2308.

Signature: Spain, September 26, 1955.

North Atlantic Treaty

Agreement between the parties to the North Atlantic Treaty for cooperation regarding atomic information. Signed at Paris June 22, 1955.¹

Notification of being bound by terms of the agreement: Italy, September 23, 1955.

BILATERAL

Canada

Agreement relating to construction of a petroleum products pipeline between the United States Air Force dock at St. John's and Pepperrell Air Force Base, Newfoundland, with annex. Effected by exchange of notes at Ottawa September 22, 1955. Entered into force September 22, 1955.

Guatemala

Agreement terminating by mutual consent on October 15, 1955, the reciprocal trade agreement of April 24, 1936 (49 Stat. 3989). Effected by exchange of notes at Guatemala August 2 and September 28, 1955. Entered into force September 28, 1955.

Peru

Second amendment to agreement for sale of certain surplus agricultural commodities to Peru of February 7, 1955 (TIAS 3190), to include sale of edible oils and fats. Signed at Lima September 20, 1955. Entered into force September 20, 1955.

United Kingdom

Agreement regarding tobacco and military dependents' housing, and related notes. Effected by exchange of notes at London June 3 and 7, 1955. Entered into force June 7, 1955.

¹ Not in force.

U. N. Congress on Prevention of Crime and Treatment of Offenders

by William P. Rogers

*Deputy Attorney General of the United States*¹

Our Geneva conference on crime hardly approached in significance the many other conferences held there which have so profoundly affected the peace of the world. It was nevertheless tremendously important because it dealt primarily with the baffling problems of maintaining an orderly and law-abiding society and with the vastly complicated subject of human behavior as well. Under the auspices of the United Nations, upwards of 400 delegates were brought from some 44 different countries. There were Ministers and Deputy Ministers of Justice, judges, lawyers, prison administrators, experts in juvenile delinquency, psychiatrists, doctors, and religious leaders. It was truly an assemblage of serious and thoughtful people anxious to interchange ideas and get inspiration and drive from the conference.

The American delegation, of which your president and general secretary were important and able members, was one of which I believe the United States can be proud. The members made important contributions to each of the sections into which the Congress was divided. Also, your former president, Mr. Sanford Bates, made an inspiring speech—or lecture, as they called it there—on modern trends in correctional methods in the United States.

Following the opening session, when the officers of the Congress were selected and appropriate

greetings exchanged, the Congress was divided into five sections: standard minimum rules for the treatment of prisoners, open institutions, prison labor, personnel, and juvenile delinquency. Each section discussed in detail the written proposals of the Secretary-General of the United Nations. For instance, in the section on standard minimum rules, a draft of the rules was available to each participant. As a matter of fact, they had been initially drafted, I understand, by the old International Penal and Penitentiary Commission, which was the forerunner of the United Nations conference. These rules set up certain guiding principles for the administration of prisons along lines which are generally familiar to you. One of the rules, for example, prohibited corporal punishment; another provided that every prisoner was entitled as a matter of right to visits from his lawyer and family; still another stipulated that the prisoner must be given access to a representative of his religious faith. There were others dealing with every phase of prison administration. In due course they will, I think, be transmitted to the administrator of every penal and correctional institution in the United States with the request that he comment on them and indicate the extent to which he will be able to comply with them. Mr. Bennett² was chairman of this section and can tell you more of the details. I understand from him that, if they can ever be made effective throughout the world, it will be a tremendous triumph for humanizing prison and correctional methods.

² James V. Bennett, Director, Bureau of Prisons, Department of Justice.

¹ Excerpt from an address made before the American Congress of Correction at Des Moines, Iowa, on Sept. 29. Mr. Rogers was chairman of the U.S. delegation to the U.N. Congress, which met at Geneva, Switzerland, Aug. 22–Sept. 3, 1955. For a list of U.S. delegates, see *BULLETIN* of Aug. 8, 1955, p. 243.

Prison Labor

The section on prison labor devoted its attention to drafting a statement on the importance of providing for constructive employment for prisoners, reiterated the basic right of every prisoner to full employment, and outlined the methods which should be followed in the development of the work program. Your secretary, Mr. Cass,³ was largely responsible for reversing the recommendation of the section that the Congress go on record as approving what we would call the contract labor system as the preferred method of prison employment. He succeeded by a narrow margin in getting the Congress to express its preference for the state-use system and to support the view that only when sound reasons exist should private employers be permitted to engage the service of prisoners, and then only under such conditions that the prisoner could not be exploited or the interests of private industry and free labor be adversely affected.

Juvenile Delinquency

The section that was most largely attended and took up most of the work of the conference was the one on juvenile delinquency. This section ran into a sort of roadblock at the very outset because of the difficulty of agreeing on what constitutes juvenile delinquency. Most of the countries abroad consider a child to be a juvenile delinquent only when he violates some portion of the penal code, whereas, as you know, in our country and some others a juvenile delinquent can be one who is merely a truant, or incorrigible, or beyond the control of his parents. After that problem was compromised, there was a lively and interesting debate on the causes of juvenile delinquency and the measures that should be taken to cope with it. The final report of the section I think you will find very interesting, and it will be available from the Social Defense Section of the United Nations as soon as the proceedings are printed.

All of these discussions were important and interesting, and I am sure that the conclusions of the meeting will be most helpful to all of you. But the thing that was most impressive was the almost universal atmosphere of good will, eagerness to learn, and the spirit of cooperation which pervaded the entire conference. This attitude of un-

derstanding was a revelation to the American delegation, some of whom had apparently gone to the conference anticipating some manifestations of jealousy or of animosity between one group and another. We could see no evidence of this at all. As a matter of fact, the situation was quite the opposite. There were a number of social occasions when the utmost cordiality and friendliness was shown by all in attendance.

European Institutional Methods

We had an opportunity to enjoy the justly famous Swiss hospitality on an all-day trip visiting Swiss institutions. Here we could see at first hand the wide differences in institutional methods between the Western European countries and our own. England, France, Belgium, Holland, Germany, and the Scandinavian countries continue to adhere to the system of separate confinement for most of their more serious offenders. Each prisoner has a room of his own in which he sleeps, eats, and frequently works. There are no congregate dining facilities abroad, and most of the institutions are quite small in comparison with those in the United States. Only in the open institutions, the Borstals of the United Kingdom, and similar specialized institutions do the prisoners associate together to the same extent they do over here. That's one of the important reasons why there is seldom a prison riot abroad. The prisoners just can't get together in large enough groups.

Incidentally, it was interesting to note the different attitudes with respect to the various types of offenses. For instance, while the abuse of drugs is a crime or forbidden in most of the countries of the world, it does not seem to be much of a problem in Western Europe or in a number of other parts of the world. You all know how difficult it is to cope with this crime in the United States. On the other hand, we do not in the United States put men in prison for their political views or recognize the concept of political prisoners. But in several countries abroad men are still committed to prison because of their political beliefs and activities.

I was surprised also to note the wide difference in sentencing methods. Usually sentences are much longer in the United States than in most of the other countries represented at the United Nations conference. And I should say here that there was no delegation from Russia or from any of the countries within its political

³ Edward R. Cass, Commissioner, N. Y. State Commission of Correction.

orbit. They do not believe that the United Nations should discuss purely internal problems of this kind.

Sentences abroad average considerably less than in this country for the same types of offenses. Few men are sent to prison for more than 5 years in any Western European country. Only in cases of murder or extreme violence do the courts pronounce a sentence of more than 5 years. But, on the other hand, parole is not used much abroad. It is true that in England they have the ticket-of-leave system, which is really a commutation of sentence rather than release under supervision. In one or two other countries they have methods of remitting the prisoners' sentences, but for the most part the definite sentencing method prevails, with opportunity to earn remission through good behavior.

Probation, however, is being used in an increasing number of cases. Before the war this was an unknown method of treatment in Germany, but now I understand almost every German court has a probation officer—and, incidentally, his case load is kept down to a very reasonable figure.

Cooperative Spirit in U.N.

I have outlined a few of these differences to indicate the difficulties which the United Nations faces in dealing with social questions. Not only are there language barriers which at times seem almost insuperable, but there are traditions of a legal and religious and cultural nature so deeply rooted in the thinking of the delegates that it is most difficult to work together toward a commonly accepted goal. But at least we have, through the United Nations, a forum where these problems can be discussed frankly and pleasantly and objectively. And this cooperative spirit will, I feel sure, have an important influence on our ability to work together toward the goal of world peace and understanding for which we all so devoutly yearn. The faith of our President in the United Nations is certainly well founded. And so it was that I came away from Geneva convinced that all of us can support him in his belief in the United Nations and in his method of bringing world peace in our time.

Challenge to U.S. Leadership

We cannot, however, overlook the fact that many of the nations of the world are looking to us for

leadership and help. They want our men, our ideas, and our equipment—not only in technical fields, such as the building of dams or the development of new health measures or increasing food supplies, but also in the vastly complicated subject of human behavior. They seem to reason that, if we have done so well in harnessing the atom and conquering polio, we ought to find ways and means of preventing crime and rehabilitating the offender. They seem to be sensitive, incidentally, to our weaknesses and inquire whether we ought not to do more than merely put down prison riots when they occur. If, therefore, we want to continue to be world leaders, we must find a more constructive approach to our prison problems.

U.S. Views on International Bank's Annual Report

Statement by Samuel C. Waugh¹

The steady, upward climb in the volume of International Bank financing is most encouraging. Many fellow Governors have already expressed their satisfaction at the rate of commitment of the bank's resources. We are also pleased that the bank's operations have been placed in higher gear, with thoughtful consideration being given in the gathering of credit information and the establishment of the Economic Development Institute. Notwithstanding this higher rate of commitment, we know that a solid groundwork was laid before each project was approved. It is all the more heartening, therefore, that with each passing year the volume of loan commitments has risen and has this year reached the record rate of \$410 million.

The bank can reasonably expect the volume of lending to continue its upward climb. In part, this is so because of the greater understanding between the bank and its members. Members have learned from their increasingly intimate contact with the bank staff and management what is required of them to qualify for assistance. The

¹ Made at the 10th annual meeting of the Boards of Governors of the International Bank for Reconstruction and Development and the International Monetary Fund at Istanbul, Turkey, on Sept. 13 (IBRD press release). Mr. Waugh was, at that time, Deputy Under Secretary of State for Economic Affairs and U.S. Alternate Governor for the Bank and Fund. On Oct. 4 he was sworn in as President of the Export-Import Bank.

bank, in turn, has learned from its more intimate contact in the field what the needs and capacities of its members are. More importantly, the momentum that has been gained in the past decade will return big dividends to members in the form of sound, steady, and sizeable development in the future. The process of development is slow in the initial stages—in the preparatory period when skills must be developed, resources must be assessed, governmental machinery must be organized, and planning begun. This is the period when social factors impose the principal limitation on growth and technical assistance is most important. The capacity to use external capital is very low, but the small amounts absorbed are indispensable for further growth. When the preparatory work has been done and momentum has been established, development gathers speed until a stage is reached where growth sustains itself. The coming years should see a significant rise in the capacity to absorb external capital effectively and wisely. The bank may expect increasing calls to be made on its resources with increasing success.

This prospect of success—this increased rate of sound investment—can be improved if member countries will review their ability to release the paid-in portion of subscribed capital. Many of the industrial countries are now in a position to extend credits to others and indeed are actually doing so on a substantial scale. We sincerely believe that members' obligations to the International Bank on capital account should be met at the earliest opportunity. The bank's operations, already of a truly international character, as noted from President Black's report, would be further enhanced to the benefit of all.

A significant rise in the volume of private financing can also be expected. The bank's annual report gives testimony to the increasing interest of private groups in international investment. In the past year, private participation in bank loans and sales to private investors from the bank's portfolio has nearly equaled the volume of private participation in all the preceding years of the bank's history. The recent sale of European bonds in the U.S. market and the interest of insurance companies in foreign loans of long maturity are added evidence of re-emerging confidence. The total volume of private financing is still small when measured against the need, but

the trend is strong and encouraging and offers evidence that private capital is available in the capital-exporting countries for those who will attract it.

International Finance Corporation

As President Black mentioned, we can look forward to the early establishment of the International Finance Corporation.² We join with our fellow Governors in congratulating the bank on its expeditious work in preparing the Articles of Agreement. As Secretary Humphrey mentioned yesterday, our Government has taken all the necessary legislative steps to assure U.S. participation. We are all hopeful that the Corporation will stimulate the flow of foreign capital and encourage the growth of indigenous private investment.

Our economies are all in some degree mixed economies. There is a measure of government participation even in societies like ours in the United States that are essentially free-enterprise economies; but whether the private sector is small or large, it plays a critical role. The energy and enterprise, the imagination and flexibility of innumerable individuals experimenting, organizing, seeking new and varied forms of investment and production, together form a creative force indispensable for economic growth. In a society where the power to make decisions is widely dispersed, there is opportunity for experimentation, and, while it is possible to make errors, they will not produce disastrous results. We look to the International Finance Corporation as an instrument for stimulating the growth of the private sector. With the growth of indigenous investment, there will be a corresponding increase in foreign investment.

Effects of Foreign Investment

The climate of opinion is slowly changing. Many misconceptions about private foreign investment are giving way to a more realistic appraisal. I should like to comment on one misconception that, it seems to me, continues to persist.

² For a message of President Eisenhower to the Congress recommending U.S. participation in the proposed International Finance Corporation and an IBRD announcement summarizing the principal features of the Corporation, see BULLETIN of May 23, 1955, p. 844.

This is the notion that the contribution of foreign capital to economic growth can be measured by comparing the inflow of new investment with the outflow of earnings and capital remittances. This is the narrow balance-of-payments approach to appraising foreign investment. It is not even a complete balance-of-payments analysis. Earnings and capital remittances are only one of the direct effects that can be attributed to foreign investment. There are other direct effects—on imports and exports, for example—and there are indirect effects on the balance of payments as well. Foreign investment stimulates local enterprises to greater and more productive efforts; it brings about changes in local purchasing power and in its distribution; it widens economic opportunities. All these effects, direct and indirect, influence the balance of payments. One must go much further than this, however. While it is important to know how foreign investment affects the international financial transactions of a country, it is also important to know how foreign investment affects the income of a country. How much employment does the investment of foreign capital provide? What new domestic resources does it bring into play? What contribution does it make to the economy by paying taxes, providing training facilities and new technology, and offering markets to domestic producers? The national income effect of any particular foreign enterprise may be much larger than the amount of output that can be attributed directly to it. In less developed countries that have resources and labor employed with a very low factor of productivity, additional capital may play a major role by providing the missing pieces in the puzzle of greater production. The narrow balance-of-payments approach to appraising foreign investment has surface plausibility. It is convenient because data on income and outflow are readily available. The results are misleading, however. They do not begin to tell us the full story of the economic effects of foreign investment. Further study given to this subject might be considered by the bank and the Irc in an effort to develop the full story. The bank has done pioneer work in other fields; I should like to see it pioneer in this field.

The Board of Directors and management of the bank are again entitled to pats on the back for their accomplishment of the past year.

Report of the High Commissioner for Refugees

*Statements by Jacob Blaustein
U.S. Representative to the General Assembly¹*

PERMANENT SOLUTIONS PROGRAM

U.S. delegation press release 2215 dated October 4

The problem of European refugees within the mandate of the High Commissioner for Refugees has demanded the prior attention of this committee for several years. Indeed, no other issue could so appropriately initiate our discussions. For the impact of our deliberations and decisions on this issue is direct and often crucial in the lives of the persons with whom we are concerned. Especially is this true of the 77,000 still in refugee camps and the 220,000 others who come within the scope of the program of permanent solutions and emergency aid we adopted last year. It is with human problems, human aspirations, and human rights that this committee is engaged, and it is well to remind ourselves at the outset of the immediacy of these concerns.

It is a tragic reflection of the tensions of our times that 10 years after the end of the Second World War we should still have found it necessary to undertake another international program for the aid of European refugees. I hardly need describe the severe situations in which many of these people find themselves. This has been brought out by the High Commissioner both last year and this. These refugees are people who had to leave their own countries of residence through no fault of their own, but because of war, revolution, and oppression—conditions beyond their control. Yet at this late date, they continue unsettled, uncertain as to care of body, anxious of mind, without a place they can really call home.

Many, amazingly, are still healthy and able. They are useful residents in whatever country they reside. Some are weary of body and mind, are sick and old; and certainly in the twilight of their lives, which may not be long, they are entitled to some peace of mind.

A large number, as previously stated, remain in refugee camps. On some of my missions to Europe, I have visited these camps and met the refugees. And I still recall vividly, as I am sure

¹ Made in Committee III (Social, Humanitarian, and Cultural) on Oct. 4 and Oct. 7.

many of you do, how these people by the hundreds would crowd around us, talk with us, inquire what was going to happen to them, urge they be moved out of the camps, implore for some definite assurance as to their future, some opportunity for the dignity of person that can come only when one feels he is permanently settled. I am sure all of us want to do a great deal more, and promptly, to bring that about, so that these tragic victims of war, revolution, and oppression may find security and an opportunity to build normal lives.

The establishment of the permanent solutions program is itself a reflection of the severity of the problem, recognizing as it does that neither repatriation nor resettlement are feasible solutions for most of these refugees.

The Economic and Social Council has recommended that countries of immigration continue to include a reasonable number of refugees under the mandate of the High Commissioner in their immigration plans. The United States delegation supported this recommendation. The High Commissioner has estimated that in the period 1955 to 1958 from 60,000 to 80,000 such refugees will emigrate or be resettled, either on their own initiative or through various governmental and voluntary efforts. This movement would, of course, be of considerable help in reducing the number of refugees who require further assistance.

The Key Problem

The key problem of the High Commissioner, however, is to find permanent solutions for those many thousands who wish to remain in their present countries of residence or who will not be able to emigrate. This is a difficult task, and the U.S. Government is pleased that, along with other phases of the program, it is under the competent direction of Dr. van Heuven Goedhart, who has handled his job with devotion and determination and for whom we have great esteem. In this connection the United States delegation is pleased to note the close cooperation which the High Commissioner has maintained with various other governmental and voluntary organizations concerned with refugees. We hope that this cooperation will be continued.

The first year's experience under this permanent solutions program has necessarily been one, as both the report of the High Commissioner and of the Executive Committee indicate, in which finan-

cial and administrative measures were of particular importance. Nevertheless, the High Commissioner was able to prepare, and the Executive Committee approve, projects for 1955 totaling about \$3 million.

An examination of paragraph 66 of the report of the Executive Committee² indicates the types of projects through which permanent solutions are to be found. Housing, vocational training, the extension of credit, employment counseling and job placement, and assistance in establishing the refugees in small businesses, agriculture, and other fields constitute the methods. These will be supplemented by various types of assistance for the so-called "difficult" cases, of which I understand there are about 15,000; and by medical, supplementary feeding, and support assistance on an emergency basis for many others. Priority has been given to those 77,000 in camps, whom the High Commissioner has termed the "forgotten people"; and the projects, insofar as possible, are to be of a "self-help" nature requiring the active participation of the refugees. With this type of assistance we can feel confident that the refugees will become constructive members of their new environment.

As Maimonides stated as far back as the 12th century:

Anticipate charity by preventing poverty; assist the reduced fellowman, either by a considerable gift, or a sum of money, or by teaching him a trade, or by putting him in the way of business, so that he may earn an honest livelihood, and not be forced to the dreadful alternative of holding out his hand for charity. This is the highest step and the summit of charity's golden ladder.

The heaviest part of the refugee burden falls upon the peoples of Austria, the Federal Republic of Germany, Greece, and Italy, where most of these refugees now reside, and it is for permanent solutions for the refugees in those countries that most of the 1955 money has been allocated. These countries will themselves also be contributing funds and providing other assistance for the projects, and it is their own efforts and sacrifices which will provide an essential aspect of the solutions.

Dr. Goedhart discussed, in his opening remarks, some of the projects which are already well under way. The United States is satisfied with the progress which has thus far been made in the development of the program. But it is unfortunate that

² Annexed to the High Commissioner's report (U.N. doc. A/2902 and Add. 1).

because of financial stringencies even more projects could not have been initiated earlier this year. The present 4-year program for permanent solutions is intended by the General Assembly to be a final international effort on behalf of the refugees within the scope of the program. Under terms of the General Assembly resolution³ the governments concerned have been asked by the High Commissioner to give assurances that they would assume full financial responsibility for any refugees in their countries still requiring aid at the end of the 4-year period, and it is the understanding of the United States that the replies of those governments constitute an acceptance of the conditions laid down in the resolution.

Strenuous efforts will have to be maintained by the High Commissioner to assure that the problem is substantially liquidated before the program terminates, that is, by the end of 1958. The 1955 target budget for governmental contributions is \$4,200,000. But on the basis of the contributions and pledges from all sources, including approximately \$1 million from nongovernmental sources, the Executive Committee has only been able to authorize projects costing about \$3 million. And because some of the contributions have come in only lately, many of the projects will not be completed during this calendar year. The insufficiency of funds to date, and the consequent delay in implementation, will increase the burden on the High Commissioner during the remaining 3 years of the program. It will require the full financial support of member and nonmember states to assure that the goal is accomplished.

A large part of the progress made this year was made possible by contributions from one country, the Netherlands. The United States delegation would like to pay tribute to the generosity of both the Government and the people of that country. A governmental contribution of \$200,000 for the placement of difficult cases, and a contribution from the people of the Netherlands of \$933,700, constituted virtually all the money available for immediate allocation by the Executive Committee at its first session. We cannot expect the 1956 program to be benefited by a similar campaign of such generous proportions in the Netherlands, and I would hope that governments would take this factor into consideration in determining the level of their contributions for next year.

³ 832 (IX) ; for text, see BULLETIN of Nov. 8, 1954, p. 705.

When the United States delegation in the last Assembly cosponsored the resolution for the program of permanent solutions, it stated that a recommendation would be made to our Congress to contribute substantially to the program. I am pleased to be in a position formally to report that the U.S. Congress has appropriated \$1,200,000 to this refugee fund for 1955, to be contributed at a ratio of one-third of total governmental contributions. The first payment from that appropriation is to be made to the High Commissioner very shortly. My delegation hopes that further contributions for 1955 from other governments will be sufficient to enable the United States to contribute its entire appropriated amount as soon as possible.

I am also authorized to make the following statement: Assuming that other governments give evidence of their continued interest in and support of the United Nations Refugee Fund, the executive branch of the U.S. Government intends to ask funds of the Congress for a further substantial contribution to the program for 1956.

Legal and Administrative Protection

I have spoken at some length about the refugee fund, perhaps to the neglect of the High Commissioner's activities in improving the legal and administrative position of refugees. This is perhaps understandable since the High Commissioner's excellent report on the permanent solutions program has provided the General Assembly with its first opportunity to review that important new humanitarian effort. I would not like to close, however, without expressing the satisfaction of the United States with the progress which has been made in the area of legal and administrative protection, the primary area of responsibility of the High Commissioner. The High Commissioner's report reflects progressive steps which have been taken by various governments in the determination of eligibility of refugees, legal assistance to individuals, the assimilation to nationals with regard to the right to work, to housing, to education, to public assistance and to other matters, all of which contribute in a vital way to the eventual solution of this very complicated problem.

I should also like to express our appreciation to two members of this Committee, Madame Tsaladaris of Greece and Mr. Friis of Denmark, for the assistance they have given to the development

of the permanent solutions program through their participation in the Executive Committee.

Mr. Chairman, the historic traditions of the United States as a place of asylum and refuge are well known. These traditions are very close to all Americans. For it is, indeed, but a few generations back that any of us or our forefathers have been here. 500,000 Americans are post-World War II refugees. And we think it is noteworthy that of the \$6 billion which the United States has contributed to the solution of refugee problems since World War II, almost \$2 billion has been contributed voluntarily through the personal and individual generosity of our people themselves.

It has been a pleasure for me, in my first intervention in this Assembly of the United Nations, to express the support and the confidence of the U.S. Government and of the people of this country for this outstanding humanitarian task in which the United Nations is engaged.

RESOLUTIONS CONCERNING REPORT

U.S. delegation press release 2219 dated October 7

We have before us two resolutions⁴ for our consideration. I think it might be helpful if we were to examine the issues carefully to analyze exactly what is involved.

The responsibilities of the High Commissioner for Refugees are laid down fully and adequately in his statute, adopted by the General Assembly in 1950. The High Commissioner was appointed to provide international protection for refugees. Subject to that protection, he was also to assist in voluntary repatriation, resettlement, and integration. It is noteworthy that voluntary repatriation of refugees is only a part of one section of the main substantive paragraph of the statute and that the main emphasis of the statute and of the High Commissioner's activities has been on legal and administrative protection of refugees and on their integration. There is an important reason for this, to which I shall shortly return.

The distinguished representative of the U.S.S.R. [Y. Y. Matulis], in his remarks and in his resolution, referred to part of the General Assembly resolution of 1946 concerning refugees and displaced persons. That resolution must be under-

stood in its proper historical setting and in its entirety.

First, as to the whole resolution there were three parts. The first stated that the problem of refugees and displaced persons was international in scope. The second stated that no refugees or displaced persons who had expressed valid objections to returning to their countries of origin should be compelled to return. The third was the one cited in the Soviet resolution, that concerning displaced persons the main task was to assist in their return. The third part on repatriation, it should be noted, applied to "displaced persons" only, *not* to "refugees", while the first two parts referred to both. This is a real difference, inasmuch as refugees, under the mandate, are by definition—and the statute of the High Commissioner is entirely forthright on this point—persons who fear to return to their countries of origin.

Second, as to the historical setting, let us keep in mind that the resolution of 1946 was passed at a time when in Western Europe there were millions of displaced persons who had been driven or taken from their homeland by the forces of Nazi Germany, many of whom wanted to return to their own countries as rapidly as possible. Millions of others—those whom we call refugees—refused to return to their own countries because they feared political persecution if they did.

In the circumstances of 1946 it was natural for the General Assembly to stress that the United Nations should lend its primary effort toward the return of the displaced persons to their own countries. And many of them did return.

The fact is that the persons who wished to return home did so in the first few years and that since that time very few have indicated any desire to return. Indeed, as a consequence of the extension of Communist control over Eastern Europe, the voluntary flow of refugees and escapees across the frontier from Eastern Europe into the free countries continued after the war at such a rate that it taxed the ability of the countries of asylum to take care of them.

By the time the Office of the High Commissioner was established, the world had known for several years that those who wanted to return—the real displaced persons—had returned and that the problem facing the international community was to find solutions for those in the category of refugees—that is, those who did not wish to return. These facts were reflected in the statute of

⁴U.N. doc. A/C.3/L. 463, sponsored by the U.S.S.R., and L. 464/Rev. 1, sponsored by Australia, Belgium, Costa Rica, Denmark, Netherlands, Norway, Sweden, U.K., and U.S.

the High Commissioner, which implicitly recognized that by then very few refugees were likely to change their minds and request voluntary repatriation. The statute consequently, as I pointed out above, while providing clearly for "voluntary repatriation," did not stress it, thus recognizing that voluntary repatriation was unlikely for the great majority of refugees. The statute does not deal with displaced persons at all.

Resettlement of refugees has been undertaken primarily by organizations other than the High Commissioner, and large numbers of persons under the mandate have been given asylum in European, American, and Asian countries. By last year, however, it became obvious to the General Assembly that not only would voluntary repatriation be unable materially to reduce the number of refugees but that resettlement for most of the remaining refugees, particularly those in the camps, was no longer feasible either. The program for permanent solutions, and the money raised for it, therefore, was intended for the most realizable solution, namely the promotion of various schemes of integration, for necessary emergency relief, and for assistance to the "difficult cases." We should not lose sight of the fact that this is the task that the General Assembly called upon the High Commissioner to perform, and which we should continue to support.

Analysis of Soviet Draft

The resolution introduced by the representative of the U.S.S.R. can be seen more adequately in light of what I have just stated.

In the first place, it is completely silent with respect to permanent solutions by integration and indeed to any phase of the problem excepting repatriation.

Further, there is no necessity for the General Assembly to pass a separate resolution on voluntary repatriation. This is already amply and adequately covered in existing resolutions. The refugees have always had that right; they have always been able to exercise it; and they have never been interfered with nor hampered in any way for so doing. The High Commissioner pointed this out in his opening remarks.

If there has been any block in the way of voluntary repatriation, it has not been one imposed by the High Commissioner nor by the governments of residence or asylum.

The blocks to voluntary repatriation have in

reality been imposed by the countries of origin. These are cases where the governments of these countries have not even replied to letters from the High Commissioner in which he informed them of the names of those few persons who had expressed a wish to be repatriated. The High Commissioner has on past occasions referred to some of these cases. Furthermore, their policies have not been such as to attract the return of these people; as a matter of fact, there has been a continuous flow of new refugees from these countries for whom the West must make room and offer asylum.

Considerable stress has been laid on the new amnesty laws. If these laws are bringing about real changes in the policies of those countries, this will in time become apparent to all of us and, even more important, to the refugees themselves. It is only actual experience, however, which will reveal the extent, if any, of genuine change. It would hardly be fitting for the General Assembly, after 10 years of international responsibilities with refugees, to imply to them, through authorizing the High Commissioner to distribute these laws and other information and materials, that the United Nations in any way endorses or approves of them or regards them as lasting. The High Commissioner cannot be a propaganda agent, nor a postmaster, for any government, and he has never been one.

I do not wish to go into the details of the Soviet resolution, inasmuch as it is to its primary necessity and propriety that I direct myself. I must say, however, that most of the specific content of what the U.S.S.R. would have us approve is inappropriate.

As far as finding work goes, most of the refugees are employed to the same extent other people are. And a primary function of the permanent solutions program is to assist those who are unemployed—found mainly among refugees still in camps—to find employment. It is significant that the U.S.S.R. voted against the establishment of this program.

The most important reason why my delegation is unable to accept the Soviet proposal, however, and one which we should all ponder carefully, is the fact that the adoption of this resolution would be likely to cause consternation among the refugees themselves. Indeed, shortly after the resolution was introduced I was approached by a refugee who has settled in this country and who

was worried that the General Assembly might adopt the resolution and that it would result in pressure on refugees even here.

The Soviet delegation has stated that it is prepared to accept the principle of "voluntary" repatriation. We are glad to note this statement

Text of Nine-Power Draft Resolution

U.N. doc. A/C.3/L.464/Rev. 1

The General Assembly,

Having taken note of the Report of the High Commissioner for Refugees with the Annexed Report of the United Nations Refugee Fund Executive Committee (A/2902 and Add. 1) and the progress which has been made in the implementation of resolution 832 (IX),

Bearing in mind resolution 589 (XX) of the Economic and Social Council,

Considering that under his Statute the High Commissioner for Refugees is charged with the duty of seeking solutions for the problems of refugees through voluntary repatriation, resettlement and integration, and

Noting with concern that the approved target for governmental contributions to the Fund for 1955 has not yet been reached,

(1) *Requests the High Commissioner for Refugees to continue his efforts to effect solutions by the above-mentioned means, under due safeguards to be applied by him in accordance with his responsibility under the Statute to provide international protection to refugees within his mandate,*

(2) *Notes with satisfaction that the UNREF Executive Committee, in laying down the principles which are to govern the implementation of the programme for permanent solutions under resolution 832 (IX) has directed that the main emphasis of the programme should be on the reduction of the number of refugees in camps, and*

(3) *Urges States Members and non-Members of the United Nations to give early and serious consideration to making contributions to the United Nations Refugee Fund in order that the targets for 1955 and 1956 may be attained and the High Commissioner enabled fully to implement the programmes planned for those years.*

suggested in the resolution itself would require the High Commissioner to direct his activities toward pressuring refugees into repatriation.

The experience of the past 10 years cannot be wiped out with the stroke of a pen, and it should be the responsibility of the United Nations to assure to the refugees that they receive every protection from the High Commissioner to which they are entitled. These refugees, most of whom have endured the hardships of refugee camps for many years in preference to repatriation, could hardly be expected to understand a General Assembly resolution which required such extensive efforts on the part of the High Commissioner to persuade them to return, a resolution which would undoubtedly be regarded as opening the door to innumerable kinds of pressure upon them.

The conclusions are simple. No resolution concerning voluntary repatriation is required. The statute is adequate and the role of the High Commissioner has been entirely proper. Voluntary repatriation is not, in practical terms, an important aspect of the solution, whatever one may think of the theoretical desirability of this solution. And a resolution singling out this aspect would cause uneasiness among the refugees.

Purposes of Nine-Power Proposal

The General Assembly, however, is called upon to do certain definite things at this session. These have been embodied in the draft resolution of which the United States is a cosponsor.

The Executive Committee of the U.N. Refugee Fund has determined that the program of highest priority should be to reduce the number of refugees in camps. The lot of these refugees is particularly severe, and the General Assembly should endorse that determination.

The guiding principle of the work of the High Commissioner is that the wishes of the refugees should be respected. The wishes of a refugee can comprise integration, resettlement, or voluntary repatriation, and a reiteration of these functions is appropriate. A clause to this effect has therefore been introduced in the resolution. This reflects the attitude, which we share, that refugees should have the right of genuinely voluntary repatriation and places it in the most appropriate context for the work of the High Commissioner. This is as far as the General Assembly should go on this subject.

In addition, this Assembly must assure itself

that it now adheres to a principle which has long been held by the United States and by other Western countries. We hope that by the word "voluntary" they mean the free and unfettered choice of the individual. But we have experienced transmutations of other once familiar words such as "peace" and "democracy" and we have concern on this question, for example, that the procedures

that proper safeguards for the refugee are being provided. This is particularly important in any area in which there is a possibility of direct or indirect pressure—a problem which has primarily been experienced in the area of repatriation. Consequently, the resolution is also addressed to assuring the continued vigorous application by the High Commissioner of his responsibility to provide international protection for the refugees under his mandate. The United States will not, of course, agree to anything even resembling forced repatriation. The position of the U.S. Government is well known. The United States is firmly opposed to forced repatriation in any form whether by direct steps or indirect steps which might tend to accomplish this.

Finally, and this is the most constructive move we can take at this time, we must lend the prestige of this General Assembly to the High Commissioner's urgent appeal for funds for the program of permanent solutions. It is this program, not voluntary repatriation nor even resettlement, which offers hope for a ready humanitarian solution of this serious problem. And it is upon the hard bedrock of finances that the program will falter unless we give it our strong support. If there is anything we should single out at this time for special attention it is the appeal for early and serious consideration to the contribution of funds, and this appeal is a key part of our resolution.

Mr. Chairman, this concludes my intervention. My delegation would hope that the representative of the U.S.S.R. would not press his resolution. If he does so, we will have to vote against it, for we believe our resolutions are mutually exclusive. I am convinced that the true interests of the refugees and the most hopeful approach to the solution of their problems lie along the lines pointed out in the resolution we have cosponsored.⁵

U.S. Delegations to International Conferences

Intergovernmental Committee for European Migration

The Department of State announced on October 7 (press release 595) the U.S. delegation for the

⁵ In the voting on Oct. 10, the Soviet proposal was rejected, 14-29-10; the nine-power draft was approved, 42-0-15.

Third Session of the Executive Committee and Council of the Intergovernmental Committee for European Migration (ICEM), which has convened in Geneva, Switzerland. The Committee of nine members meets the first week (October 6-13), followed by a Council session of several days, starting October 17.

Scott McLeod, Administrator of the Bureau of Security and Consular Affairs, is again the U.S. representative at the conference, heading a delegation comprising five Members of Congress, seven public members, and six advisers. Mr. McLeod, Administrator of the Refugee Relief Act of 1953, by congressional authority, has headed the delegation at the two previous conferences.

Since February 1952, when it launched operations, ICEM has transported over 350,000 persons to various parts of the world. On the initiative of the United States, the organization was established at Brussels, Belgium, in 1951 to facilitate the movement to new homes of migrants and refugees who would not otherwise be moved from overpopulated areas of Europe. There are now 26 member governments.

The U.S. delegation is as follows:

U. S. representative

Scott McLeod, Administrator, Bureau of Security and Consular Affairs, Department of State

Alternate U.S. representatives

Frank Chelf, House of Representatives
Dewitt S. Hyde, House of Representatives
James M. Quigley, House of Representatives
Ruth Thompson, House of Representatives
Francis E. Walter, House of Representatives

Principal adviser

George L. Warren, Adviser on Refugees and Displaced Persons, Bureau of Security and Consular Affairs, Department of State

Advisers

Walter H. Besterman, House Judiciary Committee
Richard H. Brown, U.S. Escapee Program, International Cooperation Administration, Frankfurt, Germany
Bess E. Dick, House Judiciary Committee
Pierce J. Gerety, Deputy Administrator, Refugee Relief Program, Department of State
Francis Rosenberger, Senate Judiciary Committee

Public members

George M. Fuller, Washington, D. C.
Henry Glovsky, Beverly, Mass.
Hubert Horan, Philadelphia, Pa.
Dorothy D. Houghton, Red Oak, Iowa
Robert S. McCollum, Denver, Colo.
David Shillinglaw, Chicago, Ill.
Nick T. Stepanovich, East Chicago, Ind.

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